Monetary Authority of Singapore

GUIDELINES ON INDIVIDUAL ACCOUNTABILITY AND CONDUCT

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GUIDELINES ON INDIVIDUAL ACCOUNTABILITY AND CONDUCT

INTRODUCTION

1 Financial institutions (FIs) play critical roles in safeguarding the interests of their customers, ensuring that markets operate in a fair, orderly, and transparent manner, and protecting the integrity of the financial system. The manner in which an FI conducts its business and deals with customers and other stakeholders is ultimately shaped by the culture in the organisation.

2 The Monetary Authority of Singapore (MAS) has been focusing on culture and conduct in FIs to achieve two key outcomes: (i) ethical business practices that safeguard customers' interests and ensure fair treatment; and (ii) prudent risk-taking behaviour and robust risk management that support FIs' safety and soundness.

3 Embedding a strong culture of responsibility and ethical behaviour in FIs requires individual accountability on the part of senior managers and a supportive governance framework. The Guidelines on Individual Accountability and Conduct (the Guidelines) focus on the measures FIs should put in place to promote the individual accountability of senior managers, strengthen oversight over material risk personnel, and reinforce standards of proper conduct among all employees. Specifically, the Guidelines set out the five accountability and conduct Outcomes that FIs should achieve:

(i) Outcome 1: Senior managers responsible for managing and conducting the FI's core functions are clearly identified.

(ii) Outcome 2: Senior managers are fit and proper for their roles, and held responsible for the actions of their employees and the conduct of the business under their purview.

(iii) Outcome 3: The FI's governance framework supports senior managers' performance of their roles and responsibilities, with a clear and transparent management structure and reporting relationships.

(iv) Outcome 4: Material risk personnel are fit and proper for their roles, and subject to effective risk governance, and appropriate incentive structures and standards of conduct.

(v) Outcome 5: The FI has a framework that promotes and sustains among all employees the desired conduct.

4 The objective of the Guidelines is to assist FIs by providing a framework and best practices for strengthening accountability and standards of conduct, and is not intended to be exhaustive nor prescriptive. In this regard, FIs should not adopt a check-box mentality in applying the Guidelines. FIs should carefully review the measures set out in the specific guidance, and identify those relevant to achieve the five Outcomes, with adaptations and enhancements to be made based on the nature, size and complexity of their businesses. FIs with smaller number of employees, such as those with fewer than 50 headcount, should still achieve the five Outcomes, but will not ordinarily be expected to adopt the specific guidance described in the Guidelines. FIs with larger number of employees also have the flexibility not to adopt specific guidance they have assessed to be irrelevant to their businesses. FIs that choose not to adopt the specific guidance, should be prepared to justify their decision and demonstrate how they achieve the relevant Outcomes through other means.

5 Where there are potential gaps in accountability and oversight, or when necessitated by the nature and complexity of the FI's operations, MAS may require FIs, including those with fewer than 50 headcount, to adopt any of the specific guidance under the Guidelines.

6 The Board and senior management are responsible for overseeing FIs' implementation of the Guidelines. This is appropriate given their roles as custodians of effective governance. MAS may engage FIs, their Boards, senior management and other employees on their implementation of the Guidelines as part of its ongoing supervision.

7 The Guidelines should be read with the Frequently Asked Questions on Guidelines on Individual Accountability and Conduct, the relevant Acts, and their subsidiary legislation, written directions, notices, codes and other guidelines that MAS may issue from time to time. They do not replace or override existing laws and regulations. Where misconduct, regulatory breaches, or offences have occurred, MAS will take the necessary enforcement action against the FI and/or the relevant director, senior manager, or employee.

APPLICABILITY OF THE GUIDELINES

The Guidelines apply to all FIs regulated by MAS, with the following exceptions:

(i) an exempt financial adviser[1];

(ii) an exempt corporate finance adviser[2];

(iii) an exempt trust business[3];

(iv) an exempt over-the-counter derivatives broker[4];

(v) an exempt futures broker[5];

(vi) an exempt payment services provider[6]

(vii) a Recognised Market Operator incorporated outside Singapore;

(viii) a Recognised Clearing House incorporated outside Singapore;

(ix) a Licensed Foreign Trade Repository; and

(x) the Continuous Linked Settlement Bank.

The Guidelines apply on a group basis for (i) locally-incorporated banks and insurers[7] and (ii) approved exchanges and approved clearing houses that are operated as a single

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[1] Persons providing financial advisory services for up to 30 Accredited Investors (AIs) under Regulation 27(1)(d) of the Financial Advisers Regulations.

[2] Persons giving advice on corporate finance to only AIs, Expert Investors (EIs) or Institutional Investors (IIs) under Paragraph 7(1)(b) of the Second Schedule to the Securities and Futures (Licensing and Conduct of Business) Regulations (SFR).

[3] Any practising solicitor, foreign practitioner, Singapore law practice, Joint Law Venture, Formal Law Alliance or Qualifying Foreign Law Practice carrying out trust business for up to 30 clients with each client's trust assets not exceeding S$2 million under Regulation 4(1)(b)(iv) of the Trust Companies (Exemption) Regulations.

[4] Corporations carrying on business in dealing in capital markets products that are over-the-counter derivatives contracts with only AIs, EIs or IIs under Paragraph 3A(1)(d) of the Second Schedule to the SFR.

[5] Corporations carrying on business in dealing in capital markets products that are block futures contracts with only AIs, EIs, or IIs under Paragraph 3(1)(d) of the Second Schedule to the SFR.

[6] Persons exempted from the requirement to have a license to carry on a business of providing any payment service under Section 13 of the Payment Services Act 2019.

[7] For locally-incorporated banks and insurers that are headquartered in Singapore, this refers to the group including the holding company in Singapore, as well as local and overseas subsidiaries and branches, where applicable. For locally-incorporated subsidiaries of foreign banks and insurers, this refers to the local

group[8]. This is in line with MAS' consolidated supervision approach, and our expectation that effective governance arrangements, including proper accountability and conduct, are consistently embedded across all entities within a group. Please refer to Annex A for more information on group application for locally-incorporated banks and insurers.

operations in Singapore and its downstream subsidiaries and branches in Singapore and overseas, where applicable.

[8] For approved exchanges and approved clearing houses that are run as separate entities, the Guidelines apply separately to the disparate entities in the group.

DEFINITIONS

For the purposes of the Guidelines,

"Board" refers to:

(i) in the case of an FI incorporated in Singapore, the Board of directors; and

(ii) in the case of an FI incorporated or established outside Singapore, a governing body or committee beyond local management that is charged with oversight and supervision responsibilities for the FI's operations in Singapore.

"Material risk personnel" refer to individuals who have the authority to make decisions or conduct activities that can significantly impact the FI's safety and soundness, or cause harm to a significant segment of the FI's customers or other stakeholders.

"Senior managers" refer to individuals who are employed by, or acting for or by arrangement with, the FI, and are principally responsible for the day-to-day management of the FI.

1 ACCOUNTABILITY AND CONDUCT OUTCOME ONE

Senior managers responsible for managing and conducting the FI's core functions are clearly identified.

Purpose

1.1 Clarity in individual responsibilities and the FI's overall management structure ensures that senior managers are held to account for matters under their purview. This is fundamental to an effective governance framework, and facilitates greater transparency in the management and decision-making processes of the FI. Conversely, if an FI is unable to clearly articulate these roles and reporting relationships, this could be telling of senior managers' poor understanding of their roles, or of the FI being too large or complex for senior managers to exercise effective oversight.

Specific Guidance

1.2 The Board or Head Office, as applicable, should ensure the following:

(i) clear identification of senior managers who have responsibility for functions that are core to the management of the FI's affairs, including but not limited to the core management functions (CMFs) in Annex B;

(ii) accurate identification of senior managers that reflects actual oversight responsibilities and decision-making authority, regardless of his or her physical location; and

(iii) appropriate management oversight over all material aspects of the FI's affairs, including but not limited to the CMFs in Annex B.

1.3 FIs should review how each CMF applies in the context of their operations in Singapore and where applicable, across the group. Seniority within the organisation should be taken into account in the identification of senior managers. Apart from the Chief Executive Officer (CEO) who is directly accountable to the Board or Head Office, senior managers should in general have direct reporting lines to the CEO, or equivalent and, where relevant to the performance of that function, to the Board or Head Office as appropriate.

1.4 FIs should consider designating senior managers for CMFs which are relevant to their circumstances, but are presently not assigned to any individual. For example, if an FI has not appointed a Chief Data Officer within their organisation, but the function has been

assessed to be core to the management of the FI's affairs, the FI should accordingly identify a senior manager to oversee the responsibilities for that CMF.

1.5 FIs are allowed to deviate from the list of CMFs, if they have determined that any of the CMFs are not applicable to their circumstances. In a similar vein, the onus is on FIs to identify other individuals who would be considered senior managers by virtue of their seniority, decision-making authority, and responsibilities, even if the particular function that they manage does not fall within the list of CMFs in Annex B.

1.6 For the avoidance of doubt, Board directors are considered senior managers under the Guidelines, only to the extent that they are employed in the capacity of an executive function within the FI. For such executive directors, the Guidelines address the issue of accountability specifically as regard to their role as senior managers concerned with or taking part in the day-to-day management of the FI's affairs. The roles and responsibilities of directors on FIs' Boards are separately set out in other existing legislation and guidelines, as applicable to the relevant FI.[9]

[9] These include the various Acts, the Banking (Corporate Governance) Regulations 2005, Insurance (Corporate Governance) Regulations 2013, Securities and Futures (Corporate Governance) Regulations 2005, Securities and Futures (Licensing and Conduct of Business) Regulations, Guidelines on Corporate Governance for Financial Holding Companies, Banks, Direct Insurers, Reinsurers and Captive Insurers which are Incorporated in Singapore, Guidelines on Risk Management Practices, and Guidelines on Fair Dealing – Board and Senior Management Responsibilities for Delivering Fair Dealing Outcomes to Customers, as applicable to the relevant FI.

2 ACCOUNTABILITY AND CONDUCT OUTCOME TWO

Senior managers are fit and proper for their roles, and held responsible for the actions of their employees and the conduct of the business under their purview.

3 ACCOUNTABILITY AND CONDUCT OUTCOME THREE

The FI's governance framework supports senior managers' performance of their roles and responsibilities, with a clear and transparent management structure and reporting relationships.

Purpose

3.1 FIs are responsible for conducting the necessary due diligence prior to appointing senior managers. In addition, FIs should establish the appropriate governance policies and processes to promote proper accountability, and facilitate senior managers' performance of their roles and responsibilities in an effective manner.

3.2 As part of its internal governance framework, FIs should clearly articulate the roles and responsibilities of its senior managers and their overall management structure. FIs are expected to maintain accurate and comprehensive records of these arrangements. MAS will not typically require regular submissions from FIs on the roles and responsibilities of senior managers. As part of on-going supervision, MAS may engage FIs on the rigour of their screening and hiring processes, and review the effectiveness of FIs' governance frameworks, including the relevant policies, systems, and documentation, as well as senior managers' understanding of their areas of responsibility.

Specific Guidance

3.3 The Board or Head Office, as applicable, should ensure the following:

(i) robust standards and processes to assess the fitness and propriety of each senior manager, prior to appointment and on an on-going basis thereafter;

(ii) clear specification of each senior manager's individual areas of responsibility and his or her appointment and responsibilities in management committees;

(iii) appropriate delineation of the FI's overall management structure, including the reporting relationships among senior managers and management committees, between senior managers or management committees and the Board, and across entities within the group, as applicable;

(iv) acknowledgement by each senior manager of his or her specified roles, responsibilities and reporting lines;

(v) approval by the Board or Head Office, as applicable, of each senior manager's specified roles and responsibilities and the FI's overall management structure;

(vi) documentation of each senior manager's specified roles and responsibilities and the FI's overall management structure, including timely updates where there are material changes;

(vii) appropriate incentive, escalation, and consequence management frameworks that hold senior managers accountable for the effective performance of their specified roles and responsibilities, including the actions of their employees and the conduct of the business under their purview; and

(viii) a succession plan that is regularly reviewed and updated, including the identification of potential candidates in the pipeline and appropriate handover policies and procedures to facilitate smooth transition in the senior management team.

3.4 The emphasis on individual accountability does not absolve the collective accountability of management committees and vice versa. A key objective of forming management committees is to leverage the diverse views and expertise of individual members in coming to a collective decision on the FI's affairs. This should be reinforced, rather than displaced, by a strong culture of individual accountability.

3.5 In setting up management committees, FIs should establish a formal mandate and articulate the terms of reference and reporting lines for each committee. Individual senior managers constituting the committee are expected to have a robust understanding of the matters under their purview, and how these interact with the FI's business and risks. Accordingly, it is the responsibility of each senior manager to determine the issues that ought to be raised at the relevant committee meeting and make constructive contributions to the discussion, so as to facilitate more informed decision-making by the committee collectively.

4 ACCOUNTABILITY AND CONDUCT OUTCOME FOUR

Material risk personnel are fit and proper for their roles, and subject to effective risk governance, and appropriate incentive structures and standards of conduct.

Purpose

4.1 "Material risk personnel" (MRPs) are individuals who have the authority to make decisions or conduct activities that can significantly impact the FI's safety and soundness, or cause harm to a significant segment of the FI's customers or other stakeholders. MRPs can include employees in front, middle, and back office functions, as applicable to the FI, as well as any other employee with supervisory capacity over such functions who are not senior managers. Given the nature of their roles, it is appropriate for FIs to subject such employees to more stringent oversight and higher conduct standards than non-MRPs.

4.2 The principle-based definition of MRPs seeks to facilitate proportionate application by FIs, in a manner applicable to FIs' business models and commensurate with the nature of their business and risk. FIs are responsible for critically assessing and identifying MRPs, and subjecting them to the necessary oversight. MAS, in its on-going supervision, may engage FIs and assess the appropriateness of their identification of MRPs in achieving Outcome 4.

Specific Guidance

4.3 The Board and senior management should ensure that the appropriate standards and processes are in place to:

(i) identify MRPs, including establishing the relevant criteria for identifying such employees;

(ii) assess the fitness and propriety of MRPs, prior to their appointment and on an on-going basis thereafter, taking into account the specific nature and risk implications of their roles;

(iii) facilitate effective risk governance, including:

(a) subjecting MRPs to the appropriate mandates, decision-making authority, risk limits, and supervisory oversight as relevant to the type(s) of activities which they undertake; and

(b) according the necessary stature and authority to MRPs where such employees perform risk management or control functions; and

(iv) subject MRPs to:

(a) standards of proper conduct in relation to the type(s) of activities they undertake;

(b) regular training on the competencies required for their roles, risk implications of their activities, and standards of proper conduct; and

(c) an appropriate incentive structure, including on performance evaluation, compensation, and promotion, that is aligned with the nature and time horizon of risks, and effective in encouraging behaviour that is consistent with the desired conduct outcomes.

4.4 The identification of MRPs is built on two primary considerations – the risks that an FI is exposed to due to the nature, size, and complexity of its business; and the individuals who have the authority to make decisions or conduct activities that could materially impact this risk profile, regardless of whether they are physically based in Singapore or overseas. Accordingly, in identifying MRPs, the Board and senior management of FIs should establish criteria that consider:

(i) the financial and non-financial risks which the FI is or may be exposed to including, but not limited to, credit, market, liquidity, operational, technology, conduct, money laundering and terrorist financing (ML/TF), legal, regulatory, reputational, and strategic risks; and

(ii) the materiality of the impact that an individual's decisions or activities could have on this risk profile, based on the appropriate quantitative and qualitative indicators.

4.5 Quantitative indicators may include the authority or mandate to structure, deal in, or approve transactions or trades that give rise to credit, market, or liquidity risk exposures beyond a certain risk limit; responsibility for the investment management of, or advising on, assets beyond a certain size; authority or mandate to underwrite or approve insurance or reinsurance policies, including claims, beyond a certain risk limit. An individual's level of remuneration may also be a quantitative indicator as it is often correlated to the returns generated by the individual, and hence the materiality of risks the individual may potentially expose the FI to. The onus is on the FI's Board and senior management to determine the appropriate materiality thresholds for the quantitative indicators used, based on the nature, scale, and complexity of the FI's activities.

4.6 Qualitative indicators may include the authority to make decisions on or approve the development, structuring, or distribution of products and services, development or deployment of new technologies in internal processes or products and services offered to customers, or on-boarding or retention of customers that present higher risks; or privileged rights in relation to the handling or administration of critical infrastructure and systems of the FI, or assets of the FI or its customers, among others.

4.7 The examples of indicators in paragraphs 4.5 and 4.6 are not exhaustive. The Board and senior management are to establish criteria for identifying MRPs that are suitable to the FI's circumstances. Such criteria should be applied not only to individuals in front-line risk-taking functions, but also to those in risk management, control, or support functions whose mandates over the management of risks, internal controls, or other support activities could likewise impact the FI's risk profile materially.

4.8 The direct supervisors of MRPs are automatically considered MRPs, unless they have already been designated as a senior manager. The direct supervisors of groups of individuals who may not individually be considered MRPs, but whose activities could collectively have a significant impact on the FI's risk profile, should likewise be considered MRPs. This is in view of the supervisors' responsibilities for overseeing the conduct of the business and the activities initiated by personnel under their purview which have propensity to expose the FI to material risks.

5 ACCOUNTABILITY AND CONDUCT OUTCOME FIVE

The FI has a framework that promotes and sustains among all employees the desired conduct.

Purpose

5.1 The manner in which an FI conducts business and interacts with customers and other stakeholders is driven by the values, attitude, and behaviour of its employees at all levels. In particular, the Board and senior management have a critical role in defining, and taking steps to actively and consistently embed, the conduct standards that they would expect of all employees. The tone-from-the-top, and the extent to which this is reinforced by the policies, systems, and processes of the FI, have a significant impact on the effectiveness with which the desired conduct standards are cascaded down and embedded throughout the organisation.

Specific Guidance

5.2 MAS already has in place various legislation and guidelines that set out requirements and expectations on the conduct of FIs and their employees.[10] To augment the existing regulatory regime and underscore our expectations on FIs' responsibility for fostering sound conduct standards, the Board and senior management should ensure that a framework is in place which addresses the following:

(i) the standards of conduct expected of all employees, including but not limited to standards on honesty and integrity, due care and diligence, fair dealing (treating customers fairly), management of conflicts of interest, competence and continuous development, adequate risk management, and compliance with the applicable laws and regulations;

[10] These include, but are not limited to, the Securities and Futures (Licensing and Conduct of Business) Regulations, Notice on Minimum Entry and Examination Requirements for Representatives of Holders of a Capital Markets Services Licence and Exempt Financial Institutions, Notice on Minimum Entry and Examination Requirements for Representatives of Licensed Financial Advisers and Exempt Financial Advisers, Notice on Market Conduct Standards for Life Insurers Providing Financial Advisory Services as Defined under the Financial Advisers Act, Notice on Market Conduct Standards for Direct Life Insurer as a Product Provider, Guidelines on Standards of Conduct for Financial Advisers and Representatives, Guidelines on Fit and Proper Criteria, Guidelines on Fair Dealing – Board and Senior Management Responsibilities for Delivering Fair Dealing Outcomes to Customers, and Guidelines on Risk Management Practices, among others.

(ii) consistent and effective communication of the expected standards of conduct, such as through a code of conduct, on-boarding and regular training programmes, and sharing of lessons learnt where misconduct has occurred, to ensure that employees understand and observe these standards;

(iii) the appropriate policies, systems, and processes to enforce the expected standards of conduct, including but not limited to:

(a) regular monitoring, reporting, and escalation to the Board and senior management on matters relating to the FI's and employees' conduct;

(b) an incentive structure which considers risk and control objectives, as well as feedback from human resources, compliance, risk management, internal audit, and other control or support functions as applicable to the FI, in performance evaluation, compensation, and promotion decisions;

(c) a consequence management system, including transparent investigation and disciplinary procedures; and

(d) a formalised whistleblowing programme, including the whistleblowing channel(s) available to employees, procedures to ensure anonymity and adequate protection of employees who raise concerns over the FI's policies, practices, and activities via this channel; and procedures for handling whistleblower complaints; and

(iv) engagement strategies with key stakeholders, including depositors, policyholders, investors, corporate and institutional clients and counterparties, shareholders, and regulators, to ensure transparent and timely communication of relevant material information.

5.3 The Board and senior management should notify MAS as soon as it becomes aware of any material adverse developments. These refer to developments, including but not limited to misconduct, lapses in risk management and controls, or breaches in legal or regulatory requirements that have the potential to cause widespread disruption to the FI's day-to-day operations, services, or activities, and/or significantly impact the FI's customers and other stakeholders, or the safety and soundness of the financial system in

Singapore.[11] MAS should also be notified in a timely manner of any information that may have a material negative impact on the fitness and propriety of senior managers or MRPs.

5.4 Effective monitoring and management of conduct risks at both the organisation-wide and individual levels is an iterative process. The Board and senior management should regularly review the adequacy and effectiveness of the FI's conduct framework, taking into account any gaps between observed behaviours and the desired standards of conduct.

[11] Please refer to the Frequently Asked Questions on Guidelines on Individual Accountability and Conduct for further guidance on how to assess materiality of adverse developments.

Annex A

GROUP APPLICATION OF THE GUIDELINES FOR LOCALLY INCORPORATED BANKS AND INSURERS

1 A key objective of the Guidelines is for FIs to ensure effective management of all material aspects of their operations and proper conduct throughout the organisation. For locally-incorporated banks and insurers [12] (the "parent" bank or insurer), group application has two main implications. First, the specification of senior managers' responsibilities should include their responsibilities in respect of both the operations of the parent bank or insurer and, where relevant, the operations of the group. For example, the responsibilities of the Group Chief Risk Officer should relate to the identification, monitoring, and management of the risks of the parent bank or insurer, as well as the risks across the bank or insurance group.

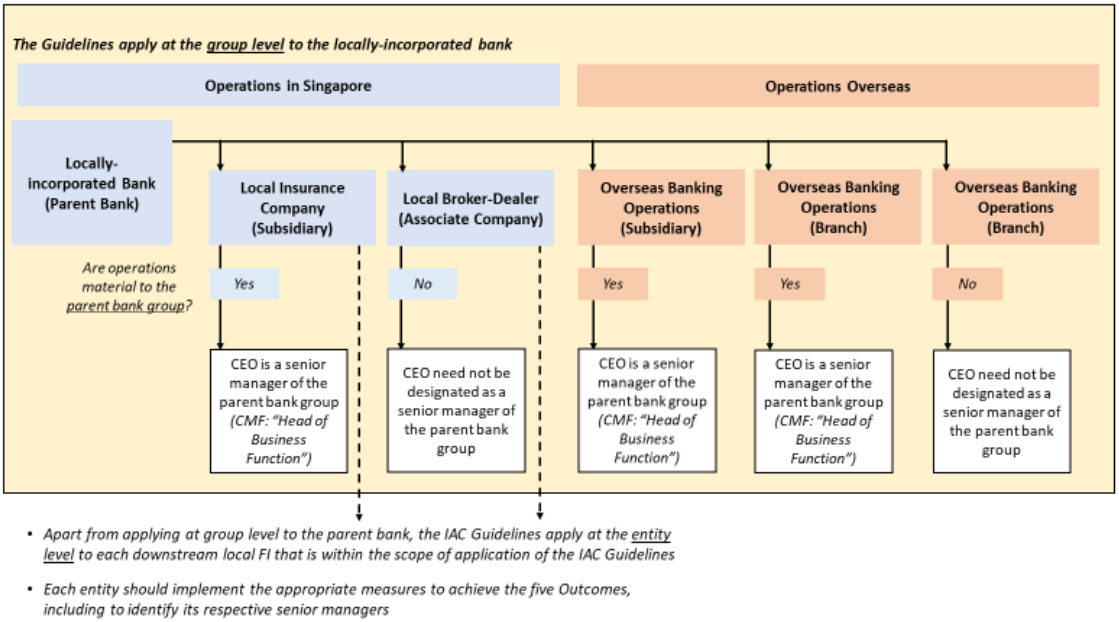
2 Second, material aspects of the group's operations will normally include significant downstream subsidiaries or other entities (hereafter collectively referred to as "downstream entities"), whether located in Singapore or overseas. The parent bank or insurer may consider a range of metrics in identifying significant downstream entities. Some examples include contribution to the group in terms of assets, profit, revenue, gross premium, or assets under management (AUM), proportion of capital attribution, and/or number of employees, as appropriate to the group's circumstances. Each significant downstream entity would be considered a *"material business function"*[13] of the parent bank or insurance group that could have bearing on the group's safety and soundness. Therefore, to ensure proper management accountability, the parent bank or insurer should designate the CEO or equivalent of each significant downstream entity as a senior manager, per the definition of the "Head of Business Function". Figure 1 provides an

[12] For locally-incorporated banks and insurers that are headquartered in Singapore, this refers to the group including the holding company in Singapore, as well as local and overseas subsidiaries and branches, where applicable. For locally-incorporated subsidiaries of foreign banks and insurers, this refers to the local operations in Singapore and its downstream subsidiaries and branches in Singapore and overseas, where applicable.

[13] As set out in paragraph 1(i) of Annex B, the "Head of Business Function" refers to any individual who is principally responsible for the management and conduct of a function which undertakes the business activities of the FI, including the activities stipulated with respect to each type of FI under paragraphs 1(i)(i) to 1(i)(viii), as well as *"any other material [business] function"*.

illustrative example of how the Guidelines apply on a group basis to a parent bank, with regard to the identification of senior managers of significant downstream entities.

Figure 1: Identification of senior managers of significant downstream entities



3 The application of the Guidelines on a group basis to the parent bank or insurer does *not* in any way affect the application of the Guidelines to the downstream FIs of the group that operate in Singapore and are within the scope of application of the Guidelines (the "downstream local FIs"). For these downstream local FIs, the Guidelines continue to apply at the *entity level*. Accordingly, each downstream local FI is responsible for implementing the necessary measures to comply with the Guidelines and achieve the five Outcomes. Specifically, for Outcome 1, each downstream local FI should identify its respective senior managers, including but not limited to those performing the CMFs listed in Annex B.

4 For the avoidance of doubt, apart from the identification of the CEO or equivalent as set out in paragraph 2 above, the Guidelines do *not* apply at the entity level to the significant downstream entities of the group that operate overseas[14]. Nevertheless, the

[14] Accordingly, the Guidelines do not affect the local regulatory requirements that each overseas entity of the group has to comply with in the relevant jurisdiction.

parent bank or insurer is not precluded from adopting the standards set out in the Guidelines in their overseas operations as appropriate.

Annex B

CORE MANAGEMENT FUNCTIONS

In these Guidelines, executives or managers performing "core management functions" include the following persons, by whatever name described –

(a) *"chief executive officer"*, who is principally responsible for the management and conduct of the business of the financial institution, including its subsidiaries and branches if any, in accordance with the strategy and risk appetite approved by the Board or Head Office, as applicable;

(b) *"chief financial officer"* or *"head of finance"*, who is principally responsible for managing the financial resources and financial reporting processes of the financial institution;

(c) *"chief risk officer"* or *"head of risk"*, who is principally responsible for establishing and implementing the risk management framework to identify, monitor, and manage the risks of the financial institution;

(d) *"chief operating officer"* or *"head of operations"*, who is principally responsible for managing the day-to-day operations of the financial institution;

(e) *"chief information officer", "chief technology officer",* or *"head of information technology"*, who is principally responsible for establishing and implementing the overall information technology strategy, overseeing the day-to-day information technology operations, and managing the information technology risks of the financial institution;

(f) *"chief information security officer"* or *"head of information security"*, who is principally responsible for the information security strategy and programme of the financial institution, including but not limited to information security policies and procedures to safeguard information assets, information security controls, and the management of information security breaches;

(g) *"chief data officer"*, who is principally responsible for establishing and implementing the policies, systems, and processes of the financial institution as regard to the governance, use, and analysis of data;

(h) *"chief regulatory officer"*, who, in relation to an approved exchange, approved clearing house, or approved holding company, as the case may be, is principally responsible for overseeing the regulatory functions and changes to the business rules of the approved exchange, approved clearing house, or approved holding company;

(i) *"head of business function"*, who is principally responsible for the management and conduct of a function which undertakes the business activities of the financial institution, including –

(i) in relation to a bank licensed under the Banking Act, the functions involving retail banking, private banking, corporate banking, institutional banking, investment banking, and treasury, and any other material function;

(ii) in relation to a merchant bank approved under the MAS Act, the functions involving private banking, corporate banking, institutional banking, investment banking, and treasury, and any other material function;

(iii) in relation to a finance company licensed under the Finance Companies Act, the functions involving retail banking, corporate banking, and treasury, and any other material function;

(iv) in relation to an insurer licensed under the Insurance Act, or foreign insurer operating in Singapore under a foreign insurer scheme established under the Insurance Act, as the case may be, the functions involving agency and distribution, underwriting, marketing, and investment, and any other material function;

(v) in relation to a registered insurance broker under the Insurance Act, the functions of acting as an insurance broker as defined under section 1A of the Insurance Act, and any other material function;

(vi) in relation to an approved exchange, recognised market operator that is incorporated in Singapore, approved clearing house, recognised clearing house that is incorporated in Singapore, approved holding company, licensed trade repository or the Central Depository System under the Securities and Futures Act, as the case may be, the functions involving the creation, sale and marketing of regulated products, regulated activities or membership, and any other material function;

(vii) in relation to a holder of a capital markets services licence under the Securities and Futures Act, the functions involving any regulated activity specified in the Second Schedule of the Securities and Futures Act, and any other material function;

(viii) in relation to a registered fund management company exempted from holding a capital markets services licence under paragraph 5(1)(i) of the Second Schedule to the Securities and Futures (Licensing and Conduct

of Business) Regulations, the functions involving the regulated activity of fund management as defined in the Second Schedule of the Securities and Futures Act, and any other material function;

(ix) in relation to an approved trustee under the Securities and Futures Act, the functions involving acting as a trustee for collective investment schemes which are authorised under the Securities and Futures Act and constituted as unit trusts, and any other material function;

(x) in relation to a financial adviser licensed under the Financial Advisers Act, the functions involving any regulated activity specified in the Second Schedule of the Financial Advisers Act, and any other material function; and

(xi) in relation to a trust company licensed under the Trust Companies Act, the functions involving any trust business specified in the First Schedule of the Trust Companies Act, and any other material function;

(j) *"head of actuarial"*, *"appointed actuary"*, or *"certifying actuary"*, who, in relation to a licensed insurer or foreign insurer operating in Singapore under a foreign insurer scheme, as the case may be, is principally responsible for the actuarial function, including but not limited to the approval of premium rates, valuation of liabilities, computation of protected liabilities relating to policy owners' protection scheme, financial condition investigation, risk management, investment, and product pricing and development of the insurer;

(k) *"head of human resources"*, who is principally responsible for establishing and implementing the financial institution's employment policies and processes, including on recruitment, on-boarding, regular training, performance evaluation, compensation, promotion, consequence management, and termination;

(l) *"head of compliance"*, who is principally responsible for monitoring and managing the financial institution's compliance with regulatory requirements under the applicable laws and regulations as well as internal policies and procedures;

(m) *"head of financial crime prevention"*, who is principally responsible for establishing and managing the policies, systems, and processes to counter the risks of the financial institution's involvement in money laundering, terrorism

financing, weapons proliferation and sanctions evasion, bribery, and corruption, as well as for filing Suspicious Transactions Reports (STRs)[15]; and

(n) *"head of internal audit"*, who is principally responsible for ensuring the adequacy and effectiveness of the financial institution's internal controls, and reporting directly to the Board Audit Committee or the financial institution's Head Office, as appropriate, on these matters.

[15] STRs are filed with the Suspicious Transactions Reporting Office, which is part of the Singapore Police Force's Commercial Affairs Department.

Monetary Authority of Singapore

FREQUENTLY ASKED QUESTIONS (FAQs) ON GUIDELINES ON INDIVIDUAL ACCOUNTABILITY AND CONDUCT

Contents

(I) Headcount for Financial Institutions (FIs) and Group Policies

Q1 How should FIs determine headcount?

A1 The purpose of the threshold is to provide a simple way for FIs to determine if the specific guidance needs to be applied. Given the composition of total headcount could differ between FIs, MAS does not intend to be prescriptive in how headcount should be defined for the time being. As a general principle, headcount should include all personnel that engage in or support the FI's core management functions (CMFs)[1], whether on a full or part time basis. It would not ordinarily include:

- non-executive directors;
- outsourced service providers[2]; and
- headcount in foreign offices or related entities, with the exception of overseas-based representatives.

FIs should comply with the spirit of the Guidelines in determining the personnel to include in the total headcount, with the objective of assessing whether the specific guidance is required given the nature and complexity of their operations. MAS may engage individual FIs to adhere to the specific guidance if we assess that the exclusion of certain outsourced headcount could have a material impact on the effectiveness of the FI's management oversight and accountability over its operations.

Q2 What is expected of FIs that start below but subsequently cross the threshold? How often should FIs assess if they fall below the threshold?

A2 FIs that start below the 50 headcount threshold, but subsequently cross the threshold as they expand, will be given a transition period of 12 months to apply the specific guidance under the Guidelines. FIs have the discretion to determine when and

[1] For an FI that is a holder of a capital markets services licence under section 82(1) of the Securities and Futures Act or a financial adviser licensed under section 6(1) of the Financial Advisers Act, the FI should include the number of local and overseas-based representatives in determining its headcount. Similarly, all exempt representatives of Registered Fund Management Companies, whether local or overseas-based, should also be included in the headcount.

[2] Where individuals from intra-group entities support multiple entities in the group including the FI, the FI may exclude them from the headcount. This applies to new intra-group outsourcing arrangements which have been put in place for genuine reasons, and not to circumvent the headcount threshold. In any event, FIs continue to remain responsible for all outsourced activities. MAS will take appropriate action against FIs that use outsourcing to game or circumvent the headcount threshold in the Guidelines.

how often to assess whether they continue to fall under the threshold, as long as the assessments are conducted annually at the minimum.

Q3 What happens when an FI approaches the threshold?

A3 FIs which are close to the 50 headcount threshold should make preparations to adopt the specific guidance under the Guidelines.

Q4 What happens when an FI with a headcount of 50 or more falls under the threshold?

A4 The specific guidance under the Guidelines comprise best practices which are intended to help an FI strengthen its governance arrangements and business practices. FIs which fall under the threshold subsequently are encouraged to maintain the existing frameworks and systems which have been put in place to implement the specific guidance, if these have been assessed to continue to be appropriate to the nature, size and complexity of their operations.

Q5 Are FIs which are subject to accountability regimes in other jurisdictions exempt from the Guidelines? Can FIs rely on their Regional or Head Office policies to comply with the Guidelines?

A5 An FI or its group operating overseas, including in jurisdictions with similar senior manager or executive accountability regimes, may already be subject to requirements or expectations that are similar to those under the Guidelines. Nevertheless, the requirements or expectations in each jurisdiction typically apply only to the FI's or group's operations in those jurisdictions. The Guidelines apply specifically to an FI's operations in Singapore. Therefore, MAS does not consider it necessary to exempt FIs which are subject to similar requirements or expectations overseas, or deem such FIs as compliant with the Guidelines.

Nevertheless, FIs may apply and adapt the frameworks, policies, and procedures that have been instituted at the Regional or Head Office levels to their Singapore operations, for the purpose of complying with the Guidelines in Singapore. Accordingly, specification of senior managers' responsibilities should reflect their roles in relation to the Singapore operations.

(II) Accountability and Conduct Outcome One

Q1 How should FIs identify CMFs that apply to their business?

A1 In assessing the CMFs that apply to their businesses, factors FIs should consider include but are not limited to: (i) the relevance of those functions in the context of the FI's growth strategy and business and (ii) whether those functions have, or could potentially have, a significant impact on the FI's risk profile. The Board or Head Office should take ownership in identifying the appropriate CMFs that apply to their businesses.

Q2 Do FIs have to designate a senior manager for each CMF listed in Annex B of the Guidelines?

A2 FIs do not have to designate a senior manager for each CMF, if they have determined that any of the CMFs are not applicable to their circumstances.

Q3 Are the titles of CMFs mandatory designations that FIs must adopt? Are the definitions of CMFs mandatory responsibilities that each senior manager must have?

A3 The titles used in the list of CMFs are not mandatory designations that FIs must use and are not exhaustive. Similarly, the definition of each CMF provides broad guidance on the key responsibilities that the particular senior manager may generally be expected to have. These are principles-based and do not constitute mandatory responsibilities. FIs should apply the CMF definitions in a manner and to the extent that reflects the actual responsibilities of the particular senior manager, in respect of the FI's business.

Q4 Must senior managers have direct reporting lines to the Chief Executive Officer (CEO)?

A4 The Guidelines do not mandate any particular reporting structure for all FIs. Reporting hierarchy in relation to the CEO and/or Board, or equivalent, is one of the factors that FIs should consider in appointing senior managers. In general, the most senior individual (the "relevant individual") with principal responsibility for the day-to-

day management of a core function of the FI should also be responsible for reporting to the CEO and/or Board, or equivalent, on matters pertaining to that function. Therefore, the relevant individual, rather than his or her downstream reports, should be designated as the senior manager.

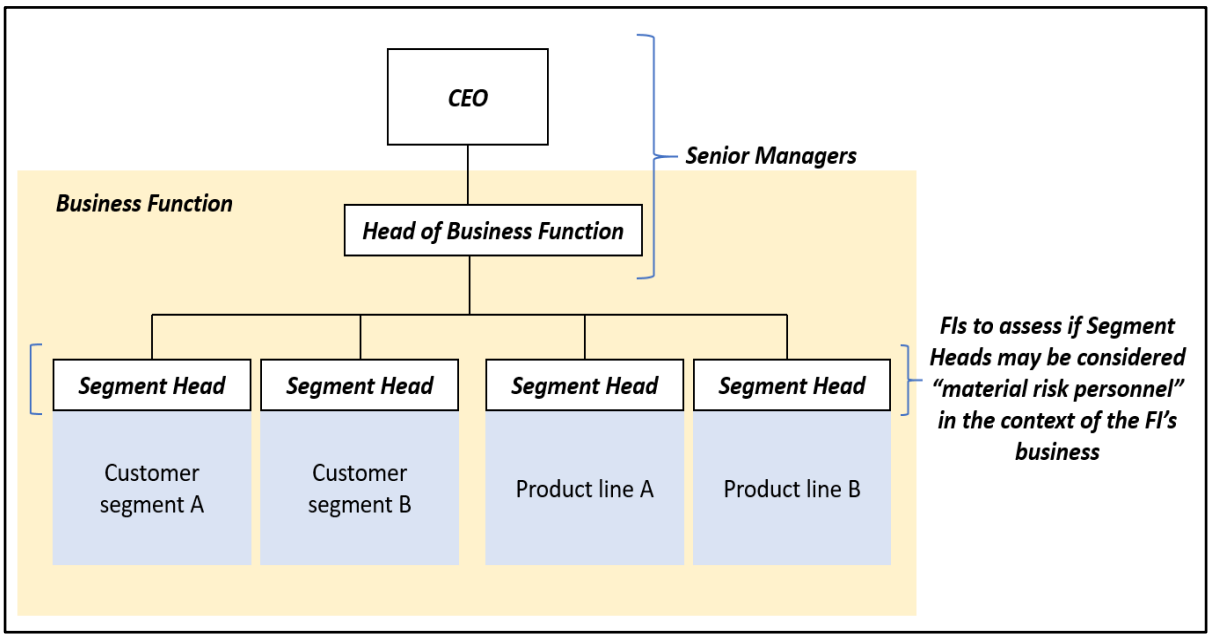
To illustrate, where an FI has two individuals who respectively manage the FI's operations and information technology (IT), and each individual has a direct reporting line to the CEO, both should be designated as senior managers (i.e. the "Chief Operating Officer (COO)" and "Chief Information Officer (CIO)" CMFs, respectively) under the Guidelines. In contrast, where each of these individuals are junior to and report to a third individual who in turn has ultimate responsibility for reporting directly to the CEO on matters regarding both the operations and IT of the FI, it is this third individual who should be designated as a senior manager with responsibility for both the "COO" and "CIO" CMFs.

Q5 How should FIs identify Heads of Business Functions?

A5 FIs should designate a senior manager for each of the activities stipulated in the definition of the "Head of Business Function" that apply to their circumstances. In addition, the definition of the "Head of Business Function" gives FIs the flexibility to identify senior managers who head "any other material function" as determined by the FI. FIs may consider various metrics in identifying functions which are material to their business including but not limited to the relative size of a function in terms of its capital and risk consumption, contribution towards the FI's assets, profit, revenue, gross premium, or assets under management (AUM), and/or number of employees.

MAS recognises that it is common for FIs to segment their business functions by market, product, customer, or other functional lines. Senior managers under the Guidelines refer to the most senior individual with principal responsibility for the business function, and generally have the responsibility to report to the CEO and/or Board on matters pertaining to that function. Where the business function comprises two or more business lines which are headed by different individuals (the "segment heads") reporting to the Head of Business Function, FIs should consider whether any of these segment heads may be considered "material risk personnel" in view of their mandates or decision-making authority, and if so, apply the specific guidance under Outcome Four. Figure 1 provides an illustrative example.

Figure 1: Identification of Head of Business Function



Q6 Can a senior manager be responsible for more than one CMF?

A6 FIs may designate a senior manager to be responsible for more than one CMF. In such cases, FIs should ensure that the senior manager's responsibilities for each of these CMFs are clearly specified, and there is no conflict of interest inherent in or arising from simultaneously performing these CMFs. FIs should also satisfy themselves that a senior manager who is responsible for multiple CMFs is able to discharge his multiple duties effectively.

Q7 Can more than one senior manager share responsibility for a CMF?

A7 FIs may adopt shared responsibility structures where appropriate and justified. Where two or more senior managers share responsibility for a function within the FI, this should not result in a dilution of responsibilities or accountability for that function. In such cases, FIs should ensure that the underlying principle of proper accountability is met, with clarity in each senior manager's scope of authority and reporting lines.

Q8 Do senior managers need to be identified for outsourcing arrangements, in particular where such arrangements have been determined by the Regional or Head Office?

A8 Where functions which are core to an FI's operations have been outsourced, whether wholly or partially, the FI should identify senior managers who will be held responsible for the oversight of these outsourced functions. Where functions have been assessed not to be core to the FI's operations, senior managers will not have to be identified for the management of these non-material functions.

MAS appreciates that for foreign FIs, certain outsourcing arrangements may be determined by the Regional or Head Office. The basis for identifying senior managers under the Guidelines is responsibility for managing the day-to-day operations of the FI in Singapore. This includes outsourcing arrangements in respect of the FI's local operations. Where individuals other than local management have been designated as the senior manager responsible for overseeing such outsourcing arrangements, FIs should be prepared to substantiate how they have met the expectations on responsibilities for outsourcing arrangements as set out in paragraphs 5.2.3 and 5.2.5 of the Guidelines on Outsourcing.

Q9 Do senior managers need to be identified for cross-border trades?

A9 Senior managers' responsibilities for the FI's day-to-day operations in Singapore should include any part of a trade or transaction that took place in Singapore. This includes trades or transactions that are executed by or booked into the FI in Singapore, even if any other leg such as the origination, structuring, and/or arrangement of the trades or transactions took place overseas, and vice versa. The relevant senior manager with responsibility for the treasury or trading function of the FI in Singapore should ensure that there are appropriate systems and controls in place to manage the risks associated with the origination, structuring, arrangement, and/or booking of any trade or transaction in Singapore.

Q10 Can FIs obtain professional indemnity insurance for senior managers or other employees against financial penalties?

A10 In general, FIs should avoid arrangements that undermine the accountability of senior managers, such as insurance or other agreements that have the effect of indemnifying senior managers or other employees against financial penalties for misconduct or other offences.

Q11 Do senior managers need to be identified for products offered to customers?

A11 MAS expects FIs to ensure that there is clear ownership and accountability of the design, delivery and maintenance of products offered to customers, including sales and transactions processing, post-sale handling and remediation of customers' complaints in respect of these products. These responsibilities could reside in one or more CMFs. Where more than one CMF are responsible for the product life cycle, the division of roles and scope of responsibility each CMF is responsible for should be clear and unambiguous.

(III) Accountability and Conduct Outcomes Two and Three

Q1 How often should FIs assess senior managers' fitness and propriety? What criteria should be applied?

A1 In assessing fitness and propriety, FIs may apply the guiding criteria set out in the Guidelines on Fit and Proper Criteria, and such other factors that the FI determines to be relevant to its circumstances and the particular role. FIs should also ensure that the criteria for assessing senior managers' fitness and propriety are aligned with the expectations that the Board has of senior managers.

Likewise, it is for FIs to determine the appropriate frequency and approach to satisfy themselves of senior managers' fitness and propriety on an on-going basis. As a general guide, such reviews should minimally be conducted on an annual basis, or as and when any matters arise which could have implications on or call into question a senior manager's fitness and propriety.

Q2 Will self declarations by senior managers be sufficient in order to assess their fitness and propriety?

A2 FIs should take reasonable steps to obtain the information that is necessary for assessing senior managers' fitness and propriety, including conducting the appropriate screening and due diligence checks. Self-declarations may be one source of information but should not be the only source. It is also the responsibility of each senior manager to determine if there is any relevant information that he or she ought to disclose, both prior to and over the term of his or her appointment.

Q3 How should FIs determine the fitness and propriety of senior managers based overseas, who may have been appointed by the Regional or Head Office?

A3 MAS recognises that for foreign FIs, senior managers with responsibilities for the regional and/or group operations, in addition to local responsibilities in Singapore, may be appointed by the Regional or Head Offices, and local management in Singapore may not have direct purview or decision-making authority over these appointments. In such cases, FIs may rely on the assessments conducted by the Regional or Head Office, where the FI is satisfied that such assessments are appropriate and sufficient to determine the senior managers' fitness and propriety.

Q4 What does "delineation of reporting relationships" entail?

A4 The delineation of reporting relationships reflects the party or parties to whom each senior manager reports to within the FI and, if applicable, within the group, in respect of the relevant function(s) that he or she is responsible for.

Q5 Do the Guidelines prohibit matrix reporting structures?

A5 The Guidelines do not prohibit matrix reporting structures. However, where an individual reports to two or more persons, the reporting relationships should be clearly and accurately specified.

Q6 What type of management committees are FIs expected to set up?

A6 MAS does not intend to prescribe specific management committees that FIs are required to set up. FIs have the flexibility to establish the management committees that are appropriate to their circumstances. Where these committees exercise decision-making authority over the FI's day-to-day operations in Singapore, their mandates and terms of reference with respect to the FI's local operations should be clearly defined.

Q7 Do members of management committees need to be identified as senior managers or MRPs? For example, fund management companies may have investment committees that include independent members who are not employed by the FI (e.g. external advisers who provide market or macroeconomic views). Would such independent members need to be identified as senior managers or MRPs?

A7 The underlying principles of whether a person should be identified as a senior manager or MRPs continue to apply to members of management committees. As for independent members of investment committees, MAS will not ordinarily consider such independent members who are not employed by the FI as senior managers or MRPs.

Q8 How should FIs obtain senior managers' acknowledgement of their responsibilities?

A8 In acknowledging his or her responsibilities, each senior manager should have sufficient clarity over the duties that his or her appointment entails. Such acknowledgement should minimally be obtained at the point of appointment of the senior manager, and thereafter, reviewed as and when there are significant changes to the senior manager's responsibilities. The manner in which such acknowledgement is obtained, whether via the senior manager's appointment letter, and subsequently, as part of the annual performance review process or some other form of documentation, can be determined by the FI. Ultimately, FIs should not treat the specification of senior managers' responsibilities and reporting lines as a paper exercise, and should implement this with the objective of strengthening their governance arrangements.

Q9 Can the Board delegate the authority to approve senior managers' specified responsibilities and the FI's overall management structure to Board committees or regional or country-level governance committees?

A9 The Board may delegate the approving authority for senior manager's individual responsibilities and the FI's overall management structure to a Board Committee, or group-, regional- or country-level governance committee, but bears the ultimate responsibility. The Board should establish communication procedures with the relevant committee on matters relating to the governance of the FI's operations in Singapore.

MAS is of the view that it is appropriate for the Board to approve the specified responsibilities of senior managers and the FI's overall management structure, as it is consistent with the Board's oversight role. While the Board may delegate the authority to manage the FI's day-to-day operations to senior management, the Board remains accountable. The Board's organisational-wide oversight is important in mitigating the risks of gaps in governance, where certain matters may be presumed to be under the purview of a particular senior manager, but has in reality fallen through the cracks.

Q10 What performance criteria should FIs consider in determining compensation?

A10 The compensation framework for senior managers should be designed in a manner that is aligned with the desired conduct outcomes, taking into account both the standards of conduct expected of senior managers as well as the conduct of the business under their purview. The determination of compensation should thus be based on a range of factors, including non-financial key performance indicators (KPIs) and, where appropriate, risk management or control lapses, internal audit findings, customer complaints, or other conduct matters relating to the function under his or her purview.

The compensation framework should also include mechanisms that facilitate adjustments to the variable components of senior managers' compensation for poor conduct or misconduct, where appropriate, whether in the current year or a future period where the impact of such conduct failings has materialised. MAS recognises that qualitative judgement may be involved in assessing conduct and determining the degree of impact that this should have on compensation. FIs should design their

incentive frameworks and structures to adequately consider behavioural and conduct factors, in addition to financial KPIs. Employee's behaviour and conduct should have a strong and impactful influence on compensation and promotion decisions. Ultimately, the compensation framework should provide a means, among other measures which the FI may have in place, to hold senior managers accountable for their conduct.

FIs are also encouraged to take reference from an information paper published by MAS in March 2019, Incentive Structures in the Banking Industry – Fostering Sound Behaviour and Conduct. Non-bank FIs should incorporate the learning points from the information paper in a risk based and proportionate manner, giving proper regard to the profile of their business activities and customers, as the desired outcomes and good practices are relevant to them as well.

Q11 What time horizon should FIs consider for succession planning? How frequently should succession plans be reviewed?

A11 The time horizon for succession planning and frequency of reviewing the succession plan is dependent on various inter-related factors. These include the FI's organisational complexity and size, the experience and skills required of a candidate in relation to the FI's business, whether there is an adequate pool of qualified internal candidates or if this has to be supplemented by an external search, and the competitive dynamics of the labour market, among others. Accordingly, it is the responsibility of the Board to institute a succession planning process that best meets the FI's circumstances and needs.

Q12 Will FIs be given flexibility in implementing succession plans and handover procedures, where identifying pipeline candidates is challenging?

A12 MAS recognises that it may not always be possible to maintain a steady pipeline of candidates for all senior management roles. Orderly succession and handover may also, from time to time, be constrained by circumstances. FIs should ensure that there are appropriate measures in place to manage succession risks. In line with the Guidelines on Risk Management Practices, succession planning should be an active on-going process undertaken by the Board, and integrated within the FI's strategic plans.

Q13 Can senior managers delegate their responsibilities?

A13 Senior managers may delegate some of their responsibilities to other personnel or committees, but their accountability cannot be delegated. The relevant senior manager should continue to exercise appropriate oversight to ensure that the delegated responsibilities are effectively carried out. This includes establishing the appropriate communication procedures with the personnel to whom, or committee to which, these responsibilities have been delegated.

Q14 What is the extent to which senior managers will be held accountable for the actions of the employees under their purview?

A14 In determining whether and to what extent a senior manager might be accountable for misconduct committed by employees under their purview, factors such as the senior manager's consent or level of knowledge of or participation in the misconduct, or whether the senior manager could reasonably be expected to have been aware or to have taken adequate steps to address the issue, should be taken into consideration. FIs should conduct the necessary investigations and, depending on the facts and circumstances of the case, take the appropriate action against the senior manager, including referring the case to MAS or other relevant authorities where necessary.

Q15 Will senior managers be held accountable for the actions and decisions of his or her predecessor?

A15 The determination of senior managers' accountability for the actions and decisions of their predecessors will ultimately depend on the circumstances of the case. For example, where misconduct, a breach, or offence that first occurred during a predecessor's term of appointment continued to be committed into the term of the newly-appointed senior manager, factors such as the newly-appointed senior manager's level of knowledge of the practice and whether he could reasonably have prevented its continued occurrence would be relevant to a determination of accountability.

(IV) Accountability and Conduct Outcomes Four

Q1 How often should FIs assess MRPs' fitness and propriety? What criteria should be applied?

A1 In assessing MRPs' fitness and propriety, FIs may apply the guiding criteria set out in the Guidelines on Fit and Proper Criteria and any other factors that the FI determines to be relevant, giving due regard to the nature and risk implications of the particular mandates or authority vested with the MRP. As a general guide, reviews of fitness and propriety should minimally be conducted on an annual basis, or as and when any matters arise which could potentially affect a MRP's fitness and propriety.

Q2 How should FIs govern the activities of MRPs and enforce risk ownership?

A2 The onus is ultimately on the Board and senior management to put in place the necessary policies and procedures to govern the activities of MRPs and enforce risk ownership. For instance, the incentive structure for MRPs in business functions should be symmetric with risk outcomes and sensitive to the time horizon of risks, and incentivise proper conduct. To this end, the compensation system should include mechanisms for adjustments to compensation arising from the materialisation of risks and realisation of profits and losses over different periods of time, as well as for improper conduct or conduct that causes harm to the FI or its customers, where appropriate.

Q3 What are MAS' expectations for MRPs in risk management and control functions?

A3 The Board and senior management should ensure that MRPs in risk management and control functions are accorded the necessary stature and authority. MRPs in risk management and control functions should have the authority to participate in the decision-making processes of business functions, unfettered access to the information necessary to discharge their responsibilities, and sufficient stature to ensure that front-line personnel, including MRPs conducting risk-taking activities, give due regard to and act upon their recommendations.

MRPs in risk management and control functions should also be suitably trained and possess the relevant experience and expertise with regard to the monitoring and management of the FI's risks and internal control environment.

In addition, MRPs in risk management and control functions should be independent from the business functions of the FI to ensure proper checks and balances. Hence, the compensation structure should be designed in such a way as to minimise potential conflicts of interest and ensure that their independence is not compromised. In general, it is not appropriate for MRPs in risk management and control functions to have KPIs that are linked to revenue or sales.

Q4 Do MRPs need to be identified for cross-border trades?

A4 MRPs should include personnel who have the authority or mandate to conduct or approve the conduct of any part of a trade which may have material impact on the risk profile of the FI in Singapore, or provide coverage for a significant segment of the FI's customers in Singapore, regardless of where such personnel are physically located.

Q5 Are FIs required to maintain a register of their MRPs? Will MAS introduce registration requirements for MRPs?

A5 MAS does not intend to introduce additional registration or notification requirements on MRPs who are not representatives. Nevertheless, FIs should maintain information on their respective MRPs to facilitate oversight of their activities. This could take the form of an internal register, and include information such as the primary activities that the MRP conducts and the relevant authority or mandates that he or she has, records of his or her fitness and propriety and performance reviews, as well as records of any breaches in internal policies or misconduct and on-going investigations or actions taken to address these, among others.

(V) <u>Accountability and Conduct Outcomes Five</u>

Q1 How should the FI's conduct framework interact with existing policies and procedures?

A1 The FI's conduct framework should be integrated with HR processes over the employee life cycle, from hiring and on-boarding, to regular training, monitoring,

performance reviews, incentives and compensation, and consequence management, and eventually, departure or termination.

Q2 Would codes of conduct suffice in setting out standards of conduct for employees?

A2 Codes of conduct are commonly used by FIs to articulate the behavioural expectations of employees. The Board and senior management should ensure that the FI's code of conduct clearly and comprehensively sets out the standards that all employees are held to. The code of conduct should complement the existing policies that the FI may already have in place to guide the conduct of employees in carrying out their day-to day activities, and/or ensure compliance with the applicable laws and regulations.

Q3 How often should expected standards of conduct be communicated to employees?

A3 Expectations on conduct should be communicated to employees at the point of hiring and through on-boarding and regular training programmes, and reinforced through the sharing of lessons learnt where positive behaviour has been observed or misconduct has occurred. The use of actual scenarios and case studies of past events can be particularly useful in illustrating the code of conduct to employees in an actionable manner. Ultimately, it is critical that employees understand their responsibility to observe these standards of conduct in their day-to-day activities.

Q4 What indicators should FIs use to monitor conduct?

A4 The Board and senior management should identify the appropriate metrics for monitoring conduct across the organisation. These should include both quantitative and qualitative indicators of positive and negative conduct, as applicable to the FI. Examples of quantitative indicators include completion rates for training programmes, employee turnover, the number of policy or risk limit overrides, new or repeat internal or external audit findings, breaches of internal policies and procedures, misconduct reports, consumer complaints, as well as statistics on compensation adjustments that may be attributable to conduct, among others. FIs should also take into consideration qualitative information such as feedback obtained from employees or other means

including whistleblowing channels, exit interviews, reports from the risk management, control, and HR functions, as well as the nature of policy overrides and risk management and control weaknesses, and the timeliness with which these are addressed.

The Board and senior management should monitor the indicators over time to identify trends and potential conduct risks, assess root causes including the underlying behavioural or cultural drivers, and take the necessary actions to mitigate such conduct risks. On-going monitoring of conduct indicators also serves as a feedback mechanism on the effectiveness of the FI's conduct framework, and the extent to which employees have internalised and put into practise the desired conduct standards.

Q5 Do FIs have flexibility in determining how to incorporate feedback from risk and control functions in incentive frameworks?

A5 The objective of incorporating risk and control KPIs within the incentive structure of employees is to reinforce, in a tangible way, the expectations on individual conduct, and ensure that there is formal assessment of employees' behaviour in carrying out their day-to-day activities. FIs should determine the approach for incorporating feedback from HR, risk management, and control functions, in performance evaluation, compensation, and promotion decisions, as appropriate to the particular employee or groups of employees.

Q6 What whistleblowing policies are FIs expected to put in place? Can FIs rely on third party service providers to manage an external whistleblowing channel?

A6 The whistleblowing channel(s) could be internally managed by an independent party or unit within the FI, centralised at the Regional or Head Office level, externally managed by a third party service provider, or a combination of these, as the FI considers appropriate to its circumstances. The underlying premise is to ensure that employees feel safe to raise issues, and there are credible mechanisms to escalate them other than their usual reporting lines.

FIs should have a formal whistleblowing policy that sets out the availability of these whistleblowing channel(s), process for raising concerns via these channel(s), and

procedures that the FI will take in response to whistleblower complaints, including to investigate the concerns raised. FIs should ensure that the whistleblowing policy offers employees anonymity and protection from negative consequences for raising concerns via the whistleblowing channel(s), and that all employees are made aware of the whistleblowing policy.

Q7 How should FIs assess materiality in identifying adverse developments to be reported to MAS? How soon are FIs expected to notify MAS of such developments?

A7 MAS recognises that the circumstances faced by FIs may vary, and qualitative judgement will be involved in assessing materiality. Factors that FIs should consider include, but are not limited to:

(i) material impact on the FI's viability, solvency, liquidity, funding, capital, earnings, risk profile, and/or reputation;
(ii) material impact on, or compromise of the interests of, a substantial proportion of the FI's customers or groups of customers;
(iii) material impact on the FI's counterparties or the fair, orderly, and transparent operations of markets;
(iv) widespread disruption to the FI's day-to-day business or activities, or ability to continue its operations and the provision of services to customers;
(v) material impact on the safety and soundness and integrity of the Singapore financial system; and
(vi) ability of the FI to continue complying with the applicable laws, regulatory requirements, business rules, or codes of conduct, whether in Singapore or elsewhere.

The Board and senior management should notify MAS of material adverse developments as soon as practicable.

Monetary Authority of Singapore

Guidelines on Individual Accountability and Conduct

Overview

- ***5 Outcomes*** financial institutions (FIs) should achieve to promote clear accountability and proper conduct
- ***Specific guidance*** for FIs with 50 or more headcount

Senior managers[1] *(Promote accountability)*

Outcome 1

Senior managers are ***clearly identified***

Outcome 2

Senior managers are ***fit and proper*** and ***held responsible*** for the areas and employees they are in charge of

Outcome 3

The FI's governance framework ***supports senior managers*** in performing their roles

Material risk personnel[2] (MRPs) *(Strengthen oversight)*

Outcome 4

MRPs are fit and proper and subject to:

- Effective ***risk governance***
- Standards of ***proper conduct***
- Appropriate ***incentive structures***

All employees *(Promote proper conduct)*

Outcome 5

The FI has a framework that ***promotes and sustains*** among all employees the ***desired conduct.***

Achieving the 5 Outcomes

1. Assess

Assess whether your FI meets the 5 Outcomes

- E.g. Is it clear who is responsible for each core management function?
- Consider measures in specific guidance

2. Adopt

Adopt appropriate measures for your FI

Adapt specific guidance as necessary, based on nature, size and complexity of your business

3. Review

Regularly review effectiveness and adequacy of measures

Take into account gaps between observed behaviours and desired standards of conduct

[1]Senior managers are individuals who are principally responsible for the day-to-day management of the FI.
[2]MRPs are individuals that can significantly impact the FI's safety and soundness, or cause harm to a significant segment of the FI's customers or other stakeholders.

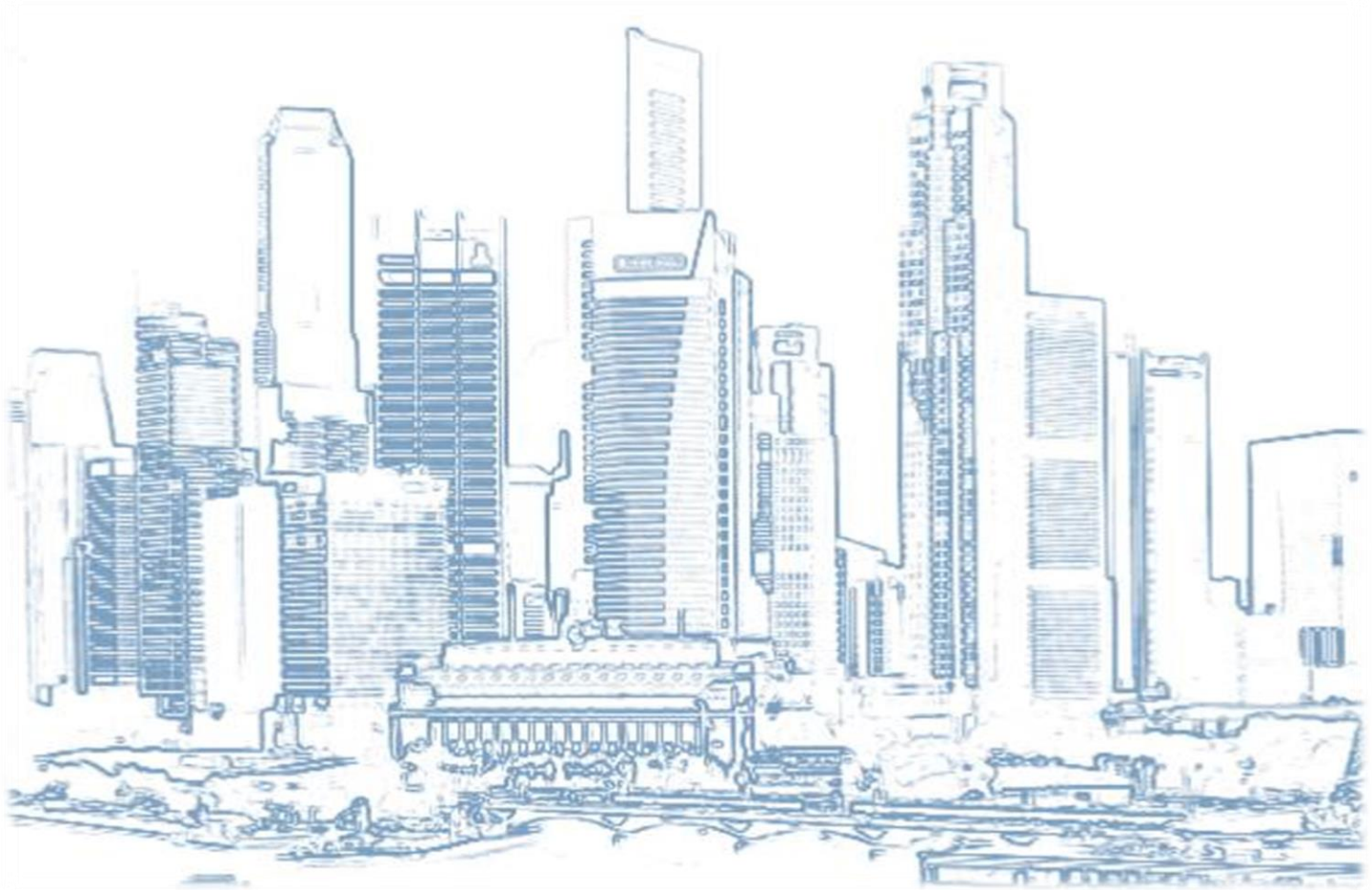
QUESTIONS?

Read the Frequently Asked Questions and/or approach your MAS supervisor

Monetary Authority of Singapore

Information Paper: Culture and Conduct Practices of Financial Institutions (FIs)

September 2020



CONTENTS

**Refer to the outcomes elaborated on in the Guidelines on Individual Accountability and Conduct and the Information Paper on Incentives Structures in the Banking Industry.*

Icons from flaticon.com

Introduction

Culture is a key driver of conduct. A sound organisational culture is therefore an effective way to pre-empt potential misconduct. Culture is generally understood as the shared values, attitudes, behaviour and norms in an organisation. It is driven by both the **"hardware"** (e.g. policies and processes) and **"software"** (e.g. beliefs and values) in an organisation.

MAS' focus on culture and conduct in FIs seeks to achieve two key objectives:

Ethical business practices

- *To safeguard customers' interests and ensure fair treatment*

Prudent risk-taking and robust risk management

- *To support FIs' safety and soundness*

Purpose

This paper sets out:

MAS' approach towards culture and conduct

Outcomes FIs should work towards

Examples of good practices that FIs can adopt

MAS does not seek to prescribe a "one-size-fits-all" approach to achieve the outcomes in this paper. Practices should evolve over time, as FIs gain experience and as their circumstances change. MAS encourages FIs to develop best practices commensurate with their businesses and risk profiles.

This paper was based on a thematic review of banks, insurers and capital market intermediaries. MAS also held industry engagement sessions to exchange views and ideas with FIs. We thank the participating FIs, the Association of Banks in Singapore Culture and Conduct Steering Group and the Insurance Culture and Conduct Steering Committee for contributing examples of good practices to this paper.

MAS' approach towards culture and conduct

1. Promote and cultivate

Rules and regulations alone are insufficient to build and maintain a sound organisation culture. The industry must go beyond doing what is permitted legally, to doing what is **right and ethical**. We engage and collaborate with the industry to promote a culture of trust and ethical behavior.

Dialogues

MAS engages FIs in regular dialogues, to cultivate mindshare and awareness, understand operational challenges, and share good practices.

Industry collaboration

MAS collaborates with industry associations to promulgate good market practices, and issues guidance to clarify our expectations of FIs where appropriate.

2. Monitor and assess

MAS monitors and assesses FIs' culture and conduct as part of our pre-emptive ongoing supervision.

We go beyond an FI's frameworks, policies, and procedures (i.e. the "hardware"), to also focus on the values, attitudes, and behaviour of the FI's board, senior management and staff* (i.e. the "software").

Timely identification and strengthening of weak culture and poor ethics can mitigate the impact and risks of downstream control deficiencies and misconduct.

- We evaluate whether an FI has a supportive culture that incentivises the right behaviour.
- We monitor potential red flags (e.g. whether risk and control functions have been sufficiently empowered).
- We assess whether incentive structures bring about ethical behaviour and prudent risk-taking.
- We leverage data analytics to perform on-going surveillance of FIs' practices.

3. Enforce and deter

MAS takes supervisory or enforcement actions against FIs and individuals where lapses in risk management, misconduct, regulatory breaches or offences have occurred.

MAS can exercise a wide range of actions to achieve a deterrence effect including:

- Issuing warnings or reprimand letters
- Restricting an FI's business operations
- Requiring an FI to put in place business controls
- Referring cases to the Attorney's General Chambers for criminal prosecution
- Revoking an FI's license
- Imposing civil penalties
- Directing an FI to remove its director or executive officer
- Issuing composition sums

**In this paper, "staff" refer to the employees and representatives of an FI.*

Outcomes FIs should work towards

GOVERNANCE

1 *The FI's board and senior management have a holistic view of and proactively shape the FI's culture.*

2 *The FI identifies and empowers staff who are responsible for driving the FI's culture and conduct.*

HIRING & ON-BOARDING

3 *The FI incorporates culture and conduct considerations in its hiring process and training programmes.*

COMMUNICATION & FEEDBACK CHANNELS

4 *The FI cultivates psychological safety to foster a safe environment for staff to provide feedback and raise concerns.*

5 *The FI's board and senior management communicate tone-from-the-top and walk the talk.*

MONITORING & ASSESSMENT

6 *The FI considers culture drivers and conduct risk as part of its risk management framework.*

INTERNAL AUDIT

7 *The FI incorporates assessments of behaviour and culture as part of internal audit.*

PERFORMANCE MANAGEMENT & INCENTIVE SYSTEMS

8 *The FI has incentive structures that promote prudent risk-taking and ethical behaviour.**

INDIVIDUAL ACCOUNTABILITY

9 *The FI holds senior managers accountable and ensures proper conduct among all employees.**

**Refer to the outcomes elaborated on in the Guidelines on Individual Accountability and Conduct and the Information Paper on Incentives Structures in the Banking Industry.*

Outcome 1. The FI's board and senior management have a holistic view of and proactively shape the FI's culture.

Strong governance structures enable clear direction and oversight of culture and conduct across the FI.

What can FIs do?

1. Drive culture and conduct agenda at board/management forums

- Establish new or leverage existing board or management committees to:
  - Oversee and shape the FI's culture
  - Drive culture initiatives
  - Review effectiveness of the FI's culture and conduct efforts
- Include regular culture and conduct agenda items at board or senior management forums

2. Establish a conduct risk appetite statement

A conduct risk appetite statement should be:

- Established and used to guide strategic decision-making and internal processes
- Cascaded to business units, and its application monitored and reported to board and senior management committees regularly

Good practices observed

Ethics and conduct board committee

Established an ethics and conduct board committee, chaired by the FI's Chairman, to oversee:

- Ethics and conduct initiatives (e.g. fair dealing)
- Effectiveness of stakeholder engagement on ethics and conduct
- Standards for staff to cultivate responsible conduct and fair dealing

Culture and conduct management committees

Established culture and conduct management committees, chaired by the FI's CEO, to:

- Devise strategies to achieve desired conduct outcomes
- Identify and manage conduct risks

Zero tolerance policy for misconduct

Established a conduct risk appetite statement which sets out a zero tolerance policy for misconduct that:

- Results in unfair outcomes for customers
- Has a negative impact on market integrity
- Materially undermines the FI's culture and causes material reputational harm to the FI

Application of conduct risk appetite

Conduct risk appetite is:

- Used to influence its strategic decision making (e.g. new product approval process)
- Monitored across geographical locations and reported to management regularly

Outcome 2. The FI identifies and empowers staff who are responsible for driving the FI's culture and conduct.

The roles and responsibilities of the functions within the FI to achieve good governance of culture and conduct must be clearly articulated. These functions should be empowered and guided by a clear mandate to carry out their responsibilities effectively.

What can FIs do?

1. Delineate clear responsibilities across functions

- The roles and responsibilities for driving desired culture and conduct throughout the organisation should be clear and understood
- Primary ownership of conduct risk should rest with business units

2. Provide sufficient authority and resources

- Functions responsible for driving culture and conduct initiatives should be resourced with sufficient expertise and authority
- These functions should have access to the FI's board and senior management to perform their roles effectively

Good practices observed

Firm-wide executive

- Appointment of a senior executive responsible for overseeing:
  - Development of control standards designed to mitigate conduct risk
  - Risk appetite and risk assessment processes
  - Standards for the identification and escalation of conduct risk issues
  - Reporting to senior management and the board
- The senior executive works closely with business lines in defining and implementing the firm's conduct risk management framework

Workshops on conduct tailored specifically for middle management

These workshops on conduct are tailored for middle management, given their close interaction with their teams which facilitates promulgation of messages from senior management, and aim to:

- Highlight the important role middle management plays in driving the FI's desired culture
- Encourage middle management to be proactive in driving culture and conduct and equip them with resources such as conduct dashboard and metrics to manage conduct related issues within the team more effectively
- Sensitise them to conduct related incidents through discussions on case studies, facilitated by Compliance and HR

Outcome 3. The FI incorporates culture and conduct considerations in its hiring process and training programmes.

The hiring process acts as a key gatekeeping mechanism. It is important to hire people who are aligned with the organisation's purpose and values. Training and induction programmes should give staff an understanding of the FI's desired culture and values, which should be translated into clear behavioural expectations.

What can FIs do?

1. Incorporate culture and conduct considerations in hiring process

WHAT?

- Behavioural competencies
- Cultural fit
- Alignment of values

HOW?

- Scenario-based questions
- Psychometric assessment tools
- Case studies
- Reference checks
- Interviews by business and control functions

2. Design appropriate induction and training programmes

- FIs should develop specific training modules to raise awareness of the FI's Code of Conduct, incentive and disciplinary action frameworks and whistleblowing channels. Case studies of past misconduct may be included to share lessons learnt

Good practices observed

Recruiters and hiring managers are equipped and trained to assess cultural fit

- Interview questions relate to the FIs' core values (e.g. integrity, prudent risk-taking)
- Interviewees are asked scenario-based questions presenting moral dilemmas. Candidates' responses help the FIs to assess their alignment with the organisation's values

Senior management is involved in the hiring process

- New hires for certain positions are interviewed by senior management

Structured programmes to raise awareness of behavioural expectations

- Online modules on ethics, code of conduct and whistleblowing with tests to assess staff's understanding of the concepts
- Workshops led by Compliance and other control functions on case studies on conflicts of interest and market abuse
- One-on-one training with Compliance on key policies and procedures relevant to a staff's role
- Training materials on ethics are refreshed periodically and certified by the Institute of Banking and Finance (IBF)
- Annual/biennial refresher courses on FI's code of conduct. These may include case studies of breaches by staff
- IBF-certified in-house trainers

Outcome 4. The FI cultivates psychological safety to foster a safe environment for staff to provide feedback and raise concerns.

Psychological safety amongst staff is key to fostering a safe environment, where staff are empowered to speak up without fear of reprisal. Managers should also respond to feedback earnestly.

What can FIs do?

1. Institute "Speak Up" programmes

- Organise dialogue sessions across functions for "Speak Up" advocates to share their roles and gather feedback
- Monitor "Speak Up" volume via a Culture and Conduct Dashboard to evaluate effectiveness of the initiative

2. Encourage staff to report risk events

Self-reporting can be encouraged as an opportunity for management and staff to work together to:

- Identify the root cause for lapses
- Put in place mitigating measures
- Share the learning experience from the incidents with all staff to minimise recurrence

3. Establish effective whistleblowing programme

An effective whistleblowing programme facilitates reporting of incidents in a safe environment, and allows for escalation and rectification before undesirable practices take root. Key elements include:

- **Contact points** – contact details made available on main directory
- **Operator of whistleblowing hotline** – use of external vendor or operated by an internal independent function
- **Investigation and reporting** – centrally investigated (e.g. at HQ instead of business-unit level) and tracked by control functions

Good practices observed

Alternative facilities for staff to raise concerns where normal channels are inappropriate

- Alternative facilities available via phone, web portal, e-mail and letter

Investigations of ethical lapses are shared quarterly

- Highlights where ethical lapses have occurred
- Demonstrates that staff's concerns are investigated and leads to meaningful corrective action

Forum provided for staff to share feedback anonymously with management

- Opportunity for management to understand staff's views and answer their queries
- Feedback from staff can provide insights into state of culture within organisation

Outcome 5. The FI's board and senior management communicate tone-from-the-top and walk the talk.

The desired culture and conduct should be defined and communicated throughout the organisation. The tone-from-the-top needs to be aligned with echo-from-the-bottom.

What can FIs do?

1. Establish open channels for communication

- Small group discussions between management and staff
- Email broadcasts/ newsletters to share positive/negative behaviour
- Staff sentiment survey
- Meetings to share desired culture/vision
- Performance appraisal sessions

2. Appoint culture and conduct champions and ambassadors

- Culture and conduct champions take on varying roles, such as serving as role models, raising ideas and flagging possible concerns proactively, and providing a resource point for staff who have queries

3. Recognise positive behaviour

- Actively recognise staff who have displayed good conduct or values

Good practices observed

Staff recognised for exemplifying FI's values

- Staff are formally recognised at awards ceremonies, and may be featured on the FI's intranet and newsletters

Regular communication between CEO and staff through dialogues, letters and small group discussions

- Practices performed by CEOs include conducting monthly culture and vision sharing meetings with middle management and fortnightly dialogues with staff
- Periodic letters are also sent to share personal anecdotes and insights on culture and conduct issues

Outcome 6. The FI considers culture drivers and conduct risk as part of its risk management framework.

There should be robust mechanisms to monitor culture and measure conduct or behavioural outcomes, with corrective actions taken where necessary. When exploring new tools to be used, FIs should also consider the associated ethics and privacy issues.

What can FIs do?

1. Establish conduct risk framework

Create governance framework on conduct risk covering:

- Risk appetite statement (refer to outcome 1)
- Policies and procedures on conduct risk
- Formal monitoring, reporting and escalation mechanisms, with relevant indicators reported to a committee charged with overseeing conduct risk

2. Actively identify and manage conduct risk

- Use communication and trade surveillance tools to identify conduct risk
- Incorporate conduct risk assessment into risk control self-assessment
- Require business units to assess compliance against risk appetite statements, report breaches, potential risk areas and action plans to board and senior management

3. Implement mechanisms to monitor culture

Surveys

- Surveys and exit interviews used to understand perceptions on-the-ground on organisational culture and identify potential issues

Pulse checks

- Conducted more frequently than surveys, and with a smaller set of questions, targeted at specific topics
- To address trends and issues observed in a timely manner

Focus group discussions

- Encourage open dialogue to assess behaviour and mindset at operational level

Culture and conduct dashboard

- To monitor culture and conduct effectively, multiple sources and indicators should be triangulated to form a holistic view. A dashboard could be created to consolidate indicators
- **Common indicators:**
  - Staff sentiment
  - Number of self-reported breaches
  - Number and severity of misconduct cases and corresponding disciplinary actions
  - Whistleblowing statistics
- **General key principles for designing dashboards**
  - Sufficiently granular data
  - Use of leading and lagging indicators
  - Linkage between indicators tracked and FI's values and risk appetite framework
  - Desired targets, trends over time with insights on deviations

Outcome 6. The FI considers culture drivers and conduct risk as part of its risk management framework.

Good practices observed

One FI monitored the relationship between how people **feel** (Sentiment), how they **behave** (Behaviour) and Actual Business Outcomes.

Sentiment

A monthly staff survey is conducted to gauge staff sentiment. The survey provides insight into staff sentiment on strategy, communications, customer focus and culture and values.

Behaviour

A diagnostic analytics platform to measure behaviour of individuals and organisation, such as staff's willingness to speak up or number of staff who completed mandatory training on time. It provides insights into the "what", "how", "why" and "where" of workforce behaviour.

Actual Business Outcomes

This comprises various contextual measures such as unusual activity reporting and mystery shopping results.

Sentiment and Actual Business Outcomes are further monitored and assessed through a quarterly Culture Dashboard.

Outcome 7. The FI incorporates assessments of behaviour and culture as part of internal audit.

Internal Audit can provide independent assessment of the state of culture and conduct in an organisation. The function can play an important role in the early identification of potential areas of concern, and flag them for management attention.

What can FIs do?

1. Assess management's approach towards conduct risk

- Incorporate assessments of management's conduct risk and control awareness, as well as receptiveness to audit findings
- Can be qualitative or include the assignment of a rating or grade

2. Implement targeted culture audit programmes

- These audits should explicitly target "soft" aspects like leadership, group dynamics, quality of decision-making
- FIs can consider engaging organisational psychologists or behavioural scientists to design and implement culture audit programmes

Good practices observed

Culture of business units assessed as part of internal audits, or in thematic audits on behaviour and culture

Assessments take into consideration several factors, such as:

- Tone among senior management
- Ownership and accountability
- Effective communication and challenge
- Risk and resource management

Assessments may be informed by the following:

- FI's culture dashboard
- Interviews with senior and middle management
- Surveys on culture mindset
- Root cause analysis of control lapses found

- One FI developed a set of questions to guide auditors in formulating their assessment. Training sessions on the assessment methodology using sample scenarios were conducted for auditors
- Findings are presented to the Audit Committee regularly

Outcome 8. The FI has incentive structures that promote prudent risk-taking and ethical behaviour.

Refer to *Information Paper on Incentives Structures in the Banking Industry* for details of outcomes that MAS expects to see in all FIs (including non-bank FIs) to foster sound behaviour and conduct. All FIs should incorporate the learning points from the information paper in a risk-based and proportionate manner.

Governance over incentive structures

Outcome 8.1

Board and senior management exercise active oversight and monitor the effectiveness of incentive structures.

Outcome 8.2

FIs adopt the FSB Principles and Standards and implement them in a manner that is commensurate with their risk profile and complexity.

Outcome 8.3

FIs have mechanisms to monitor staff's conduct, and report relevant conduct metrics to the Board and senior management.

Performance evaluation

Outcome 8.4

FIs' performance evaluation of staff takes into consideration both the "what" (ability to meet financial targets) and the "how" (how these targets are achieved).

Outcome 8.5

Performance evaluation ratings have an appropriate impact on compensation and promotion decisions.

Remuneration frameworks

Outcome 8.6

Remuneration frameworks adequately consider behavioural and conduct factors, in addition to financial KPIs.

Outcome 8.7

Structured deferral arrangement and appropriate instruments are in place to defer variable compensation to align pay-outs with time horizon of risk.

Consequence management

Outcome 8.8

Investigations into misconduct are carried out by independent units/personnel with the relevant expertise.

Outcome 8.9

FIs establish proper frameworks and processes to determine severity of misconduct and corresponding disciplinary actions.

Outcome 8.10

Compensation decisions must not undermine or negate the effectiveness of disciplinary measures.

Outcome 9. The FI holds senior managers accountable and ensures proper conduct among all employees.

Refer to *Guidelines on Individual Accountability and Conduct* for details of:

- ***5 outcomes*** FIs should achieve to promote clear accountability and proper conduct
- ***Specific guidance*** for FIs with 50 or more headcount

Senior managers[1]

(Promote accountability)

Outcome 9.1

Senior managers are ***clearly identified.***

Outcome 9.2

Senior managers are ***fit and proper*** and ***held responsible*** for the areas and employees they are in charge of.

Outcome 9.3

The FI's governance framework ***supports senior managers*** in performing their roles.

Material risk personnel[2] (MRPs)

(Strengthen oversight)

Outcome 9.4

MRPs are fit and proper and subject to:

- Effective risk ***governance***
- Standards of ***proper conduct***
- Appropriate ***incentive structures***

All employees

(Promote proper conduct)

Outcome 9.5

The FI has a framework that ***promotes and sustains*** among all employees ***the desired conduct.***

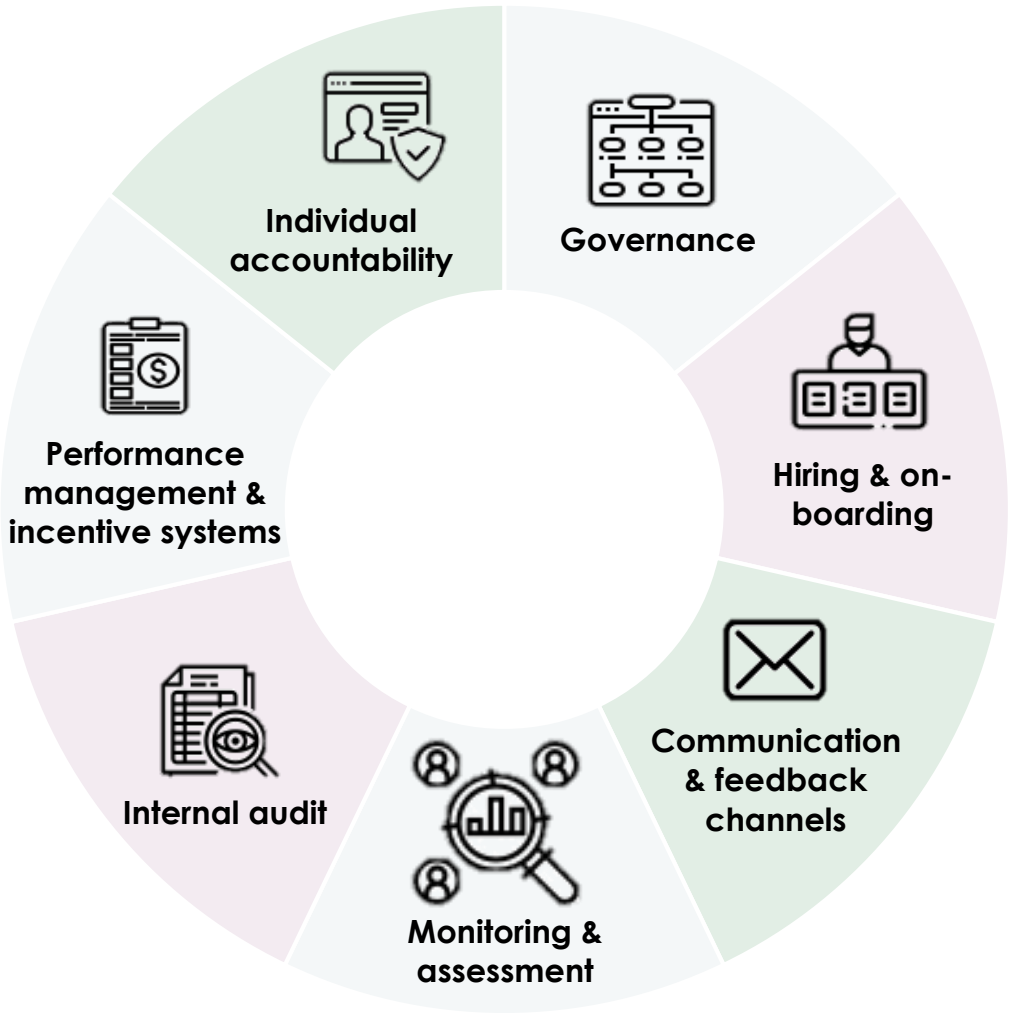
[1]Senior managers are individuals who are principally responsible for the day-to-day management of the FI.
[2]MRPs are individuals that can significantly impact the FI's safety and soundness, or cause harm to a significant segment of the FI's customers or other stakeholders.

Conclusion

The various components contributing to the culture and conduct of an organisation do not work in isolation. They are inter-related and can help to complement and reinforce each other.

FIs are encouraged to leverage the findings set out in this paper to guide them in their own journey to develop and entrench sound culture and consistently high standards of conduct within their organisations.

MAS will continue to engage FIs, their Boards, senior management and staff on the adequacy and effectiveness of their practices on culture and conduct through its ongoing supervision.



"…we must foster a culture of good conduct underpinned by strong standards of ethics. Regulations and controls can only go so far in shaping behaviour.

Be it being alert to money laundering risks or dealing fairly with customers, mere compliance with regulatory requirements or internal rules is not enough.

Ultimately, how professionals in the financial industry conduct themselves is shaped by the shared values, attitudes and norms in their organisations – in short, the culture."

Mr Ravi Menon
Managing Director, Monetary Authority of Singapore

Symposium on Asian Banking and Finance, 3 June 2019