

MAS: update to Guidelines on Outsourcing

On 11 December 2023, the Monetary Authority of Singapore (MAS) published [updated Guidelines on Outsourcing for Financial Institutions other than Banks](#).

These guidelines are effective from 11 December 2024 and apply to all financial institutions (with the exception of banks and merchant banks) in Singapore and set out MAS' expectations of an institution that has entered into any outsourcing agreement or is planning to outsource its business activities to a service provider.

The guidelines provide a comprehensive framework for financial institutions to manage their outsourcing activities effectively and ensure the resilience of their operations. The updated Guidelines emphasise several key elements:

1. **Risk management:** financial institutions are required to conduct a thorough risk assessment before entering into any outsourcing arrangement. They must identify and evaluate the risks associated with outsourcing and implement appropriate controls to mitigate those risks.
2. **Governance and oversight:** the Guidelines emphasise the importance of robust governance and oversight of outsourcing arrangements. Financial institutions should have clear policies, procedures, and controls in place to manage outsourcing activities effectively.
3. **Concentration risk:** financial institutions are urged to avoid excessive reliance on a single service provider or geographic location. The Guidelines encourage diversification of outsourcing arrangements to minimise the impact of any disruption.
4. **Data security and privacy:** the updated Guidelines highlight the importance of data security and privacy. Financial institutions must ensure that their outsourcing arrangements comply with relevant data protection laws and regulations. Clear, contractual provisions addressing data confidentiality, access, and protection should be established.
5. **Contingency planning:** financial institutions are required to have effective contingency plans in place to manage and mitigate any disruptions or failures in their outsourcing arrangements. These plans should outline the steps to be taken in the event of a disruption and ensure continuity of operations.

6. **Monitoring and review:** regular monitoring and a review of outsourcing arrangements are encouraged to ensure compliance with the Guidelines. Financial institutions should periodically assess the performance and effectiveness of their outsourcing arrangements and make any necessary adjustments.

Overall, the updated Guidelines on Outsourcing provide financial institutions with a robust framework to manage outsourcing risks effectively and ensure the resilience of their operations in a rapidly evolving digital landscape.

If you would like to discuss this further or find out how it may affect your business, please reach out to your Waystone Compliance Solutions team or contact us below.

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