LEGAL UPDATE: MAS CONSULTATION PAPER ON PROPOSED GUIDELINES ON THIRD-PARTY RISK MANAGEMENT

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I. **Introduction**

1. On 6 March 2026, the Monetary Authority of Singapore ("**MAS**") published the Consultation Paper on Proposed Guidelines on Third-Party Risk Management ("**Consultation Paper**"). As third-party arrangements introduce risk to financial institutions ("**FI**"), MAS has proposed to introduce a new set of Guidelines on Third-Party Risk Management (the "**Guidelines**"). The Guidelines are intended to supersede the Guidelines on Outsourcing (Banks) and Guidelines on Outsourcing (Financial Institutions other than Banks) (collectively, the "**Outsourcing Guidelines**").[1] The Guidelines build on MAS' existing expectations and requirements on outsourcing and incorporate key elements of guidance by international standard setting bodies such as the Financial Stability Board ("**FSB**") and Basel Committee on Banking Supervision ("**BCBS**").

2. FIs should note that the scope of the Guidelines is wide enough to cover not only "outsourcing" arrangements, but to all third-party services unless exempted. FIs will also be expected to update their registers of third-party arrangements to MAS at least semi-annually (previously annually) and must include all material third-party arrangements and where possible, the third-party service providers' material sub-contractors. Pending the issuance of the Guidelines, FIs are still expected to manage operational, technology and cyber risks associated with their third party arrangements. The consultation closes at 11:59pm on 20 April 2026.

II. **Changes**

Third-Party Arrangements and Register of Third-Party Arrangements

3. The Guidelines will apply to a broader scope of arrangements. The Outsourcing Guidelines apply to "outsourcing arrangements", which means arrangements in which a service provider provides services to the FI which may currently or potentially be performed by the FI itself.[2] In contrast, the Guidelines will apply to all "third-party arrangements", which includes all formal

[1] For banks and merchant banks, MAS Notices 658 and 1121 will remain in effect and continue to set baseline requirements for banks and merchant banks in their management of outsourcing arrangements. Banks and merchant banks should comply with MAS Notices 658 and 1121 in addition to meeting the expectations of these Guidelines. For the avoidance of doubt, where there are arrangements for third-party services (including outsourcing arrangements) which involve disclosure of customer information, banks and merchant banks must also ensure that such disclosures comply with section 47 of the Banking Act 1970.

[2] "outsourcing arrangement" means an arrangement in which a service provider provides the institution with a service that may currently or potentially be performed by the institution itself and which includes the following characteristics –
(a) the institution is dependent on the service on an ongoing basis; and
(b) the service is integral to the provision of a financial service by the institution or the service is provided to the market by the service provider in the name of the institution;

arrangements between an FI and a service provider for the provision of services to the FI, including services provided by an intragroup entity.[3]

4. While MAS' supervisory expectations under the Outsourcing Guidelines included maintaining an outsourcing register which is to be submitted to MAS at least annually or upon request, FIs are expected under the Guidelines to maintain a register of all third-party arrangements or minimally, all material third-party arrangements (including material sub-contractors, where possible).[4]

5. To avoid adding undue administrative burden by capturing all third-party arrangements, even those which pose minimal risk to FIs, the Guidelines exclude services that are not for the conduct of any financial business of the FI and where the service provider does not receive, handle or have access to the FI's confidential information or customer information.[5] Examples of such services would include cleaning, gardening and pantry services, and the maintenance of vending machines.

Governance

6. The MAS continues to affirm that the board and senior management of an FI play pivotal roles in ensuring a sound governance and risk management framework and culture,[6] and has the ultimate responsibility for the oversight of an FI's third-party risks.[7] The board and senior management of the FI should ensure that risk exposures from all third-party services are incorporated and assessed under the FI's risk management framework.[8]

Use of Sub-Contractors

7. The supervisory expectations in the Guidelines also extends to the FI's management of risks from material sub-contractors in third-party arrangements, where possible. FIs should take steps into include clauses in third-party agreements that set out the rules and restrictions concerning sub-contracting. For example, that the service provider is responsible for the performance of the sub-contractor's performance, compliance with the third-party agreement, and that the service provider is obliged to notify the FI in writing prior to the engagement of a material sub-contractor or of a change of a material sub-contractor.[9] Further, the third-party agreement and the sub-contracting agreement should provide for confidentiality and integrity of all information of the FI under the sub-contractor's custody, for the FI and MAS' right to audit

[3] "third-party arrangement" means
(a) in relation to a bank or merchant bank, a formal arrangement between a bank or merchant bank and a service provider for the provision of one or more "relevant service", as defined in Section 47A(12) in Banking Act 1970, to a bank or merchant bank, as the case may be;
(b) in relation to any other FI, a formal arrangement between an FI and a service provider for the provision of one or more services to the FI,
where the service provided includes a service provided by an intragroup entity but does not include any service provided in the course of employment by a staff of the FI or any service provided by a director of the FI in the course of the director's appointment;
[4] Section 4 of the proposed Guidelines.
[5] Annex 3 to the proposed Guidelines.
[6] Section 5.3 of the proposed Guidelines.
[7] Section 5.5 of the proposed Guidelines.
[8] Section 5.3 of the proposed Guidelines.
[9] Section 7 of the proposed Guidelines.

and inspect the sub-contractor and access relevant information and premises, and lastly, for the sub-contractor to notify the FI promptly of any material adverse developments.[10]

III. **Conclusion**

8. FIs are reminded to review their governance, risk management and strategy to adequately manage third-party risk throughout the life cycle of a third-party arrangement. The board and senior management are responsible for maintaining effective oversight and governance of third-party arrangements, managing third-party risks, and implementing a sound third-party risk management framework for the FI to meet the expectations set out in the Guidelines.

9. Please feel free to reach out if you have any queries on the abovementioned updates.

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[10] Section 7.5 of the proposed Guidelines.