

20 April 2026

## ASIFMA Response to MAS Consultation Paper on Updated Guidelines on Operational Risk Management

**Q1. MAS seeks comments on where FIs envisage challenges in observing specific expectations on a proportional basis. Respondents are encouraged to propose specific examples of such challenges, as well as alternative drafting of the expectations.**

On behalf of the Asia Securities Industry & Financial Association (“**ASIFMA**”)<sup>1</sup>, representing our Financial Institution and Asset Management members (together, “**FI**”)<sup>2</sup>, we are pleased to respond to the Monetary Authority of Singapore’s (“**MAS**”) Consultation Paper on Updated Guidelines on Operational Risk Management (the “**Guidelines**”). This submission has been prepared with the support of ASIFMA’s Law Firm member, Allen & Gledhill.

We are supportive of MAS’ approach to implementing the Guidelines on a risk-proportional basis.

We note that potential challenges may arise where expectations are applied uniformly across diverse operating models, particularly where FIs differ significantly in scale, product complexity and reliance on group-level or third-party infrastructure. In such cases, strict localised implementation may result in duplicative controls or reporting without materially enhancing operational resilience.

Hence, we suggest that the Guidelines should be less prescriptive (especially for risk identification and assessment) to allow for “risk-proportionate implementation”.

Alternatively, to support consistent application, we suggest that MAS may consider clarifying that proportionality assessments may explicitly consider factors such as:

- (a) the nature of the FI’s business activities and risk profile;

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<sup>1</sup> ASIFMA is an independent, regional trade association with over 150 member firms comprising a diverse range of leading financial institutions from both the buy and sell side, including banks, asset managers, law firms and market infrastructure service providers. Together, we harness the shared interests of the financial industry to promote the development of liquid, deep and broad capital markets in Asia. ASIFMA advocates stable, innovative, and competitive Asian capital markets that are necessary to support the region’s economic growth. We drive consensus, advocate solutions and effect change around key issues through the collective strength and clarity of one industry voice. Our many initiatives include consultations with regulators and exchanges, development of uniform industry standards, advocacy for enhanced markets through policy papers, and lowering the cost of doing business in the region. Through the GFMA alliance with SIFMA in the United States and AFME in Europe, ASIFMA also provides insights on global best practices and standards to benefit the region. More information about ASIFMA can be found at: [www.asifma.org](http://www.asifma.org).

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- (b) the extent of reliance on group-wide governance, frameworks, and infrastructure;
- (c) the nature of fiduciary and agency business models;
- (d) use of regulated third-party infrastructures and third-party control processes and frameworks; and
- (e) product complexity and investor protection mechanisms.

Such clarification would help FIs apply proportionality in a structured and transparent manner while maintaining supervisory outcomes.

More specifically, we have the following comments.

There are two viewpoints on MAS' approach of proportional implementation of the Guidelines, and the extent and degree to which an FI implementing the expectations in the Guidelines should be commensurate with the size and complexity of the FI. Some non-bank members have business models which are very different in scale and risk from banking business models. They suggest that non-banks should be able to consider the obligations in light of their business models, on the basis that non-banks do not operate payment, deposit taking and (where applicable) retail banking infrastructure that could be more impacted by third-party service providers. Non-bank FIs, including asset managers, do not pose the same risks in these areas, and should therefore be subject to proportionately less obligations by default. Hence, a similar approach to the current outsourcing guidelines, which distinguishes banks from non-banks, is preferred. Yet, for some banks, harmonisation of Guidelines across FIs is preferred, with proportionality applied within a single, consistent set of expectations. This is because distinction may create unnecessary complexity, particularly for FIs operating across both bank and non-bank entities.

However, to the extent that MAS takes a harmonised approach such that the standards for third-party risk management ("TPRM") apply to banks and non-banks, it is respectfully submitted that paragraph 2.3 of the Guidelines should be amended as follows:

"2.3 The extent and degree to which an FI implements the expectations of the Guidelines should be commensurate with the size and complexity of the FI and the nature and materiality of risks in its business operations. An FI may adopt these Guidelines in a risk proportionate manner, taking into consideration the scale of its activities, the diverse activities they engage in, and the different markets in which they conduct business or process transactions. ***In particular, the application of requirements to non-bank institutions should be proportionate and reflect differences in business models, including through the appropriate calibration of the scope, depth and frequency of risk management and oversight of operational risk.***"

This would ensure that the application of the Guidelines explicitly and appropriately reflects differences in the nature and risk profile of non-bank FIs, which may not present

the same level or type of operational risk across all areas, while maintaining a consistent and harmonised underlying framework.

#### Global FIs

We note that leveraging a global framework is acceptable according to footnote 15 of the Guidelines, however it appears that the footnote applies specifically to “an FI with a branch or subsidiary under it” (which paragraph 2.2 of the Guidelines relates to). Thus, for FIs in Singapore which belong to an international group, we seek confirmation that such FIs may rely on global frameworks (subject to appropriate local assessment and oversight) to evince compliance, particularly for risk appetite (as set out in paragraph 3.2 of the Guidelines), even if the FI in Singapore does not have a branch or subsidiary under it.

If this is not the case, as operational risk frameworks are typically established at a group level, we highlight that practical challenges may arise:

- (i) in ensuring alignment between global frameworks and local regulatory expectations, particularly where frameworks are centrally designed;
- (ii) in data aggregation and reporting, where operational risk data, systems, and metrics are managed centrally; and
- (iii) in the treatment of intragroup dependencies, including shared services, systems, and infrastructure, which are key drivers of operational risk but may not be easily separated at a local entity level.

Such practical challenges would be exacerbated for smaller entities, where it would not be proportionate to replicate global frameworks locally or maintain fully dedicated local resources.

Separately, we seek clarification on MAS’ expectations for the proportional application for foreign FIs (e.g. bank branches) that rely predominantly on global platforms and intragroup operating centers – particularly, where services are contracted, owned and operated by overseas group entities, but support activities that the Singapore FI is accountable for to its customers and MAS, how should the Singapore FI calibrate its operational risk management accountability relative to its actual operational control?

**Q2. MAS seeks comments on the proposed expectation for a D-SIB / D-SII to publicly disclose its approach to operational risk management and operational risk exposures, and its code of conduct. We additionally seek views on whether there are other FIs which should be subject to this expectation.**

We note that the Consultation Paper clearly positions public disclosure of operational risk management approach and operational risk exposures as an expectation targeted at D-SIBs and D-SIIs, reflecting their systemic importance and broader public interest considerations. We are supportive of the proposed expectation for D-SIBs and D-SIIs to publicly disclose their approach to operational risk management and operational risk

exposures, given their systemic importance and the potential for operational disruptions at such institutions to have broader financial stability and confidence implications.

However, we note that the Guidelines state at paragraph 7.1 that all FIs (and not just D-SIBs/D-SIIs) should “take reasonable steps to have public disclosures that allow stakeholders to understand its approach to ORM and its operational risk exposures”. Moreover, paragraph 7.2 of the Guidelines subsequently specifies additional expectations for D-SIBs and D-SIIs. This may give rise to differing interpretations as to whether the baseline public disclosure expectation in paragraph 7.1 is intended to apply to all FIs, or only to D-SIBs and D-SIIs.

Thus, to enhance clarity and support risk proportionate implementation, we suggest clarifying the scope of paragraph 7.1 (e.g. by explicitly linking it to D-SIBs and D-SIIs, or by otherwise distinguishing between disclosure expectations applicable to all FIs versus those intended specifically for systemically important institutions). To this end, we suggest that public disclosure requirements should not be extended beyond D-SIBs and D-SIIs because (i) the existing D-SIB and D-SII designation frameworks already capture FIs whose size, interconnectedness, substitutability and complexity give rise to system-wide externalities; and (ii) applying the same public disclosure requirements to non-systemically important FIs would be unlikely to yield commensurate financial stability benefits, while potentially introducing disproportionate compliance and conduct risks, particularly where such disclosures are not required at a global level.

Should public disclosures be required of non-D-SIBs/D-SIIs, we seek clarification on how the public disclosure requirement is intended to apply (and the flexibility that FIs would have), especially to non-publicly listed FIs with no external stakeholders.

**Q3. MAS seeks comments on Section 7 of the updated ORMG, as well as the proposed amendments to the Guidelines on Risk Management Practices – Internal Controls. Where respondents envisage challenges in observing specific expectations, respondents are encouraged to propose alternatives to the drafting of the expectations and the rationale for doing so.**

We note several considerations that may affect implementation:

- (a) There may be legal and liability considerations, as public statements regarding frameworks, controls or loss events could be relied upon or scrutinized upon future incidents.
- (b) The requirement for board-approved disclosure policies and independent review increases governance and accountability demands, particularly where disclosure judgments involve qualitative assessments.
- (c) While FIs understand that disclosures should be implemented proportionately, they highlight the risk that disclosure may be driven by market expectations, resulting in increased compliance costs and resource diversion without commensurate resilience benefits.

Thus, we respectfully request MAS to provide clearer guidance on the intended scope and depth of disclosures, as well as the application of proportionality, to ensure that transparency objectives are achieved without introducing unintended operational, legal or security risks.

Particularly, we seek guidance on the following:

- (i) the definition of “significant operational loss events” – to this end, we request for:
  - (A) clear and consistent thresholds (to ensure industry consistency), including monetary thresholds (if any), and
  - (B) guidance on how such events are intended to interact with Annex 9B of MAS Notice 637 (Operational loss event type classification).
- (ii) how the potential for reputational and security risks arising from the disclosure of sensitive information should be managed, especially in relation to the public disclosure of “significant operational loss events” (e.g. for qualitative narratives that could pose reputational, litigation and security risks, could D-SIBs/D-SIIs ensure that sensitive information is aggregated and anonymized);
- (iii) in relation to the requirement of having a clearly defined risk appetite and tolerance statement (paragraph 3.2(b) of the Guidelines), whether such statement is for internal purposes and need not be publicly disclosed;
- (iv) whether there are any examples suitable for public disclosure (e.g. banking service / ATM disruptions being published);
- (v) where a D-SIB’s or D-SII’s code of conduct is publicly disclosed on its group website, whether there would be a requirement for the code of conduct to be published locally/on a local website in Singapore?

Separately, we seek clarification on section 7's relationship with MAS Notice 637 – particularly, where a bank's disclosures are in line with the requirements in MAS Notice 637, would it still be subject to additional requirements relating to disclosures under section 7?

Content of disclosure

Additionally, we note that operational risk information is often highly technical and context-specific, and suggest that public disclosures should primarily qualitative and high-level, focusing on governance frameworks and risk management approaches rather than detailed quantitative loss information.

Further, we suggest that MAS explicitly recognises group-level control assurance frameworks, where governance, accountability and oversight responsibilities are clearly defined and demonstrable.

Amendments to the Guidelines on Risk Management Practices – Internal Controls

In relation to the amendment requiring banks to disclose their code of conduct, we foresee challenges relating to strengthening internal controls over disclosure, and seek clarification on whether a board-approved disclosure policy that is aligned across existing disclosure requirements (i.e. Pillar 3, sustainability and financial reporting disclosures) may be established.

**Q4. MAS seeks comments on the proposed expectations over change management, as set out in Section 6 of the updated ORMG.**

We are generally supportive of the proposed expectations set out in section 6 of the Guidelines.

However, we suggest emphasising that FIs should take a risk-based approach, with more detailed requirements focused on material changes, while allowing flexibility for less complex or lower-risk changes. In this regard, we suggest articulating the requirements at a higher level and framing them as non-prescriptive guidance (rather than a set of examples), such as referring broadly to “significant changes to business activities and IT systems”, rather than highlighting specific events that would result in a change to its risk profile (as currently set out in paragraph 6.1 of the Guidelines).

In addition, given the diversity of delivery approaches used by FIs (e.g. waterfall, agile or hybrid methodologies), it would be helpful for the Guidelines to remain methodology-agnostic – with the emphasis remaining on effective risk identification, taking a risk-proportionate approach, testing, governance and post-implementation review, rather than on the specific mechanics of change execution. Clarifying this would allow FIs to meet

supervisory expectations, while retaining flexibility to adopt change methodologies best suited to their operating environment.

While the emphasis on managing operational risk arising from change is well-understood and aligns with existing practices, in practice, large-scale changes (e.g. new products, systems or market entry) are typically governed through established change management, product governance or technology governance frameworks, with operational risk providing input through risk assessments, scenario analysis and control evaluations. Moreover, assessing operational risk and determining whether there are any “material differences” to the expected operational risk profile can require significant resources. Hence, to avoid duplication, it may be helpful for the Guidelines to clarify that:

- (i) operational risk should be integrated into existing change governance processes, rather than requiring a separate standalone framework; and
- (ii) expectations are focused on ensuring appropriate risk identification, assessment and monitoring throughout the change lifecycle.

Should MAS decide to retain a more prescriptive approach, we seek clarification on MAS’ expectations on the change management process, particularly:

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

**Q5. MAS seeks comments on the proposed expectations applicable to FIs with branches or subsidiaries under them and, which: i) are subject to consolidated supervision by MAS or ii) are owners of critical information infrastructure.**

No comments.

**Q6. MAS seeks comments on any aspects of the updated ORMG that have not been covered in earlier questions.**

Operational risk management framework

We support MAS' objective of strengthening board and senior management engagement in operational risk management, and acknowledge that an articulated operational risk appetite and tolerance can help guide decision-making, prioritisation and escalation, particularly during periods of stress or disruption.

As operational risk is inherently difficult to quantify (particularly in asset management), we seek clarification on whether a combination of qualitative articulation and targeted quantitative indicators is acceptable, in accordance with the risk-based approach. We also request for the examples / details of risk identification and assessment, risk treatment and monitoring / reporting to be more high-level and less prescriptive.

In relation to paragraph 3.2(b) of the Guidelines, we similarly seek express confirmation that a risk-based approach may be implemented – e.g. simplified approaches may be acceptable for smaller or less complex FIs or subsidiaries of global FIs, and the operational risk appetite statement need not be a standalone document where equivalent articulation exists within broader governance frameworks, and instead could be evidenced through existing, board-approved documents or embedded in a risk management policy. This is because operational risk differs fundamentally from other risk types in that it is often less readily quantifiable, highly scenario-dependent and influenced by external and structural factors (e.g. third-party dependencies, market infrastructure, or regulatory constraints) that may be beyond the FI's direct control. As a result, there is a risk that requiring all FIs to articulate detailed or granular operational risk appetites and tolerances could lead to generic or boilerplate statements that have limited decision-usefulness and do not meaningfully enhance operational resilience – especially for subsidiaries of global financial institutions, where operational risk appetite and tolerance are typically defined and approved at the group or regional level, and embedded across group-wide governance frameworks, scenario analysis and escalation protocols.

In particular, we respectfully request that a risk appetite statement would not be necessary for asset managers. While such a statement is typically a foundational requirement (Basel III) for banks, asset managers have different risks and operate differently, and potentially on a much smaller scale; it is noticeably less common for asset managers to have a risk appetite statement, as their focus is more on fiduciary risk rather than balance sheet risk like banks. Hence, for global asset managers, where the Singapore entity is a small subsidiary, to have a risk appetite statement when the parent does not would result in the local entity disproportionately driving global policy. Most global asset managers adopt regional and global processes, following global risk policies.

In relation to Annex 1 of the Guidelines, we respectfully submit that obtaining a forward-looking operational risk appetite (e.g. defining, approving and actively monitoring tolerances, thresholds and escalation mechanisms that are linked to emerging risks, stress scenarios and resilience capabilities, not just historical losses) may be very onerous. Thus, we seek confirmation that “where applicable” should be interpreted in a manner that is consistent with an FI’s supervisory construct and prudential requirements, including where an FI operates in Singapore as part of a broader cross-border group subject to home and host supervisory arrangements. In particular, where capital adequacy and enterprise-wide stress testing frameworks are primarily established and governed at the group level under the home supervisor’s prudential regime, MAS may wish to clarify that the intent of paragraph 2(e) of Annex 1 can be met through local adoption and linkage of forward-looking assessments that are relevant to the Singapore operations.

*Suggested drafting refinement (illustrative):* “be forward-looking and, where applicable, include scenario analysis and stress testing (as appropriate having regard to the FI’s supervisory construct and prudential requirements) to help the FI identify potential events that could breach its risk appetite and tolerance statement.”

#### Personnel

In relation to paragraph 3.6 of the Guidelines, which sets out the requirement to have an ORM function (as the second line of defence), we seek clarification on whether the ORM function can be part of the Compliance function (i.e. reports to the Compliance head). In addition, we seek confirmation that the independent ORM function and the independent assurance or audit function can be from other offices for global FIs. For example, can a Hong Kong entity manage the ORM for all of the FI’s offices in Asia Pacific, including Singapore?

#### *Board and senior management*

We support MAS’ emphasis on board and senior management accountability for operational risk management, and agree that FIs must retain clear responsibility for the effective management of operational risks arising from their activities in Singapore. That said, global FIs operate within established group-wide operational risk management frameworks, and key governance, policies and oversight structures are designed and managed at the regional or global level. In such operating models, local boards and senior management typically discharge their responsibilities through oversight, challenge, and assurance over the group framework, rather than through the independent establishment of entirely separate local ORM structures. Requiring full duplication of ORM frameworks at the local level may lead to inefficiencies and inconsistencies, without necessarily enhancing risk outcomes. We therefore suggest that MAS clarify that, for global FIs:

- (i) Local boards and senior management may rely on group-wide ORM frameworks to meet the expectations in section 4 of the Guidelines, provided these frameworks are aligned with the Guidelines;

- (ii) The role of local governance should focus on:
  - (a) oversight and challenge of the group framework as it applies to the FI's Singapore operations;
  - (b) consideration of Singapore-specific regulatory, business and risk factors;
  - (c) ensuring appropriate escalation, reporting and remediation mechanisms are in place; and
  - (d) additional local policies, procedures or enhancements may be implemented only where necessary to address local regulatory requirements or materially different risk profiles.

In relation to paragraph 4.4 of the Guidelines, which sets out the requirement to establish a dedicated senior management-level committee, we seek clarification on whether, based on the proportional implementation approach, the senior management-level ORM committee can be established at a group level. In addition, we suggest that the Guidelines allow FIs to assess whether any existing governance forum is already positioned to oversee operational risk matters, rather than prescribing the establishment of a dedicated ORM committee as a mandatory requirement. Should MAS decide otherwise, we seek clarification on whether FIs may leverage on the SG Individual Accountability and Conduct regime to satisfy this requirement.

#### Risk monitoring and reporting

Paragraph 5.11 and footnote 26 of the Guidelines require FIs to have in place appropriate reporting mechanisms to ensure that MAS is notified of significant operational risk events. We seek clarification on whether these reporting mechanisms refer to the existing obligations of FIs (e.g. under the existing Outsourcing Guidelines/proposed Third-Party Risk Management Guidelines, Notice on Technology Risk Management, and an FI's MAS licence conditions). To support consistent industry interpretation, we respectfully propose that clarifies any intended alignment with existing requirements, and whether compliance with existing reporting requirements would be sufficient to meet the expectation under paragraph 5.11 of the Guidelines.

If MAS is proposing additional reporting obligations which are beyond the scope of existing obligations, we seek clarification on the scope of "significant operational events" (especially for asset managers), and would be grateful if examples are provided. We also seek guidance on whether MAS would provide any quantitative and/or qualitative benchmarks for FIs to apply, or whether FIs may reference their established group-level internal incident escalation thresholds when determining the need for regulatory notification.

#### Annex 3 – Global FIs

We support MAS' expectation that scenario analysis can be used as a forward-looking tool to complement historical data and current risk assessments, and to inform operational

preparedness and resilience. We recommend MAS provides flexibility on the methodology used to perform scenario analysis, recognising that credible approaches may range from structured, expert-driven workshops to more data-driven techniques, depending on the institution's operating model, data availability and the nature of the risks assessed.

For FIs that are part of a global group, we seek clarification that scenario analysis for Singapore operations may be performed through a combination of (i) group frameworks and scenario libraries; and (ii) local overlays to reflect Singapore-specific exposures, operational arrangements and vulnerabilities, with governance and independent challenge appropriately aligned to local accountability.

*Suggested drafting refinement (illustrative):* "FIs may adopt scenario analysis methodologies that are appropriate to their operating model and data availability, and cross-border groups may leverage group-wide frameworks supplemented with local overlays where necessary, subject to appropriate governance."

On paragraph 1(c) on Key Risk Indicators (KRIs), for FIs that are part of a global group, we also seek MAS' confirmation that KRIs (as part of the Risk Appetite Statement) for Singapore entities may leverage and operate under those of the group/head office. Singapore-specific KRIs will only be set up when there are local requirements (regulatory, strategy or management decisions) to do so.

#### *Benchmarking and comparative analysis*

Similarly, we support the objective of benchmarking and comparative analysis to enhance understanding of an institution's operational risk profile. We note that meaningful comparative analysis can include internal comparisons across risk measurement and management tools and outcomes (e.g. comparing loss experience with assessment outputs), as well as the use of external reference information (e.g. industry events and external loss information) to provide broader context.

For cross-border groups, comparative analysis may also be performed via internal benchmarking across legal entities or business platforms with similar risk profiles and operating models, supplemented by external reference information where appropriate. We recommend MAS avoid prescriptive expectations around external peer benchmarking where comparability, confidentiality and data availability constraints limit the usefulness of such comparisons in practice.

*Suggested drafting refinement (illustrative):* "Benchmarking and comparative analysis may include internal comparisons across risk management tools and outcomes, and, where practicable, the use of appropriate external reference information and/or internal peer entities with similar risk profiles and operating models."

Independent review

We seek clarification on whether “independent review” refers to reviews done by the 2<sup>nd</sup> and 3<sup>rd</sup> lines of defence.

Integration of Guidelines

We welcome the Guidelines’ emphasis on integration across operational risk management, technology risk, third party risk management and business continuity management. To support coherent implementation, we seek clarification on how these disciplines should align in practice – particularly, in the context of severe but plausible scenario analysis and providing case studies/industry learnings and best practices. Viewing operational risk management, third-party risk management and business continuity management as complementary components of operational resilience may help avoid siloed approaches and enhance overall effectiveness.

**Q7. MAS seeks comments on the proposed transition period of 6 months.**

We recommend a minimum 18-month transition period (especially for non-SIBs/D-SIBs, as global non-systemic FIs would require additional time for governance approvals and multi-jurisdictional implementation), and/or a phased implementation period to support effective adoption while remaining aligned with MAS’ risk-based supervisory objectives.

More time would be required to:

- (i) appropriately tailor and embed the FI’s operational risk appetite, strategy and framework, including the need to newly implement and operationalize proportionate board-level (or delegated committee) arrangements – particularly, time would be needed to –
  - (1) update governance and policies (e.g. introducing new and more explicit expectations across several areas, including board and senior management responsibilities, risk appetite and tolerance articulation, incident management, change management and scenario-based assessments) – including, for global FIs, re-alignment of existing group-wide ORM frameworks and policies with the proposed local expectations;
  - (2) update governance structures, reporting lines and board-level engagement;
  - (3) develop taxonomies and control inventory;
  - (4) renegotiate or amend third-party and intragroup service provider contracts, where contractual timelines, notice periods and dependencies on counterparties may be outside the direct control of the FI;
  - (5) enhance technology and data (system and infrastructure enhancements would need to be implemented across jurisdictions, which require coordinated development, testing and deployment to ensure consistency

- with group-wide frameworks and to avoid introducing new operational risks);
- (6) ensure meaningful training and change management to embed these expectations across the FI;
  - (7) publicly disclose readiness to mitigate execution risk and reduce the likelihood of control gaps during implementation, especially across an FI's overseas subsidiaries (if any); and
- (ii) align with other ongoing MAS consultations (e.g. Consultation Paper on Proposed Guidelines on Third-Party Risk Management).

In addition, such a timeline would also be in line with our past experience of implementing MAS Notice 658 which has shown that a 6-12 months transition period would be challenging.