

RESPONSE TO FEEDBACK RECEIVED

August 2018

Review of MAS 105 on Insurers' Appointment of Custodians and Fund Managers

MAS

Monetary Authority of Singapore

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1 Preface

1.1 On 9 November 2016, the Monetary Authority of Singapore (“MAS”) issued a consultation paper on proposals to (i) enhance the requirements for safeguarding assets of insurance funds when insurers appoint custodians and sub-custodians to hold such assets; and (ii) refine and streamline the information collected on custody arrangements.

1.2 The consultation period closed on 9 December 2016. A total of 41 respondents submitted their feedback. The respondents are listed in Annex A, and the full submissions are provided in Annex B. MAS would like to thank all respondents for their comments.

1.3 MAS has carefully considered the feedback received. Comments received that are of a wider interest, together with MAS’ responses, are set out in the paper below. The revised requirements and guidelines are set out in Appendices 1 to 4.

2 Appointment and Ongoing Monitoring of Custodians and Sub-custodians

Mandatory Requirement for the Appointment of Custodians and Sub-custodians

2.1 To enhance the protection of insurers’ custodised assets, MAS proposed to include a mandatory requirement for insurers to appoint only custodians and sub-custodians that are licensed, registered or authorised to act as custodians in the jurisdiction where the custody account is maintained.

2.2 A majority of the respondents agreed with the proposal. Some respondents sought clarification on whether insurers were expected to ensure that the sub-custodians were licensed, given that such appointments were made via the main custodians and insurers did not have contractual relationships with the sub-custodians.

2.3 One respondent sought clarification on whether the requirement was for all sub-custodians to also be licensed, registered or authorised in the jurisdiction where the main custody account was maintained, in addition to the jurisdiction where the sub-custody account was maintained.

MAS’ Response

2.4 Notwithstanding that insurers may not have a contractual relationship with the sub-custodians, insurers are still expected to ensure that their custodians place their assets only with licensed, registered or authorised sub-custodians. This can be done by setting out the requirement in the insurer’s main custody agreement with the custodian.

2.5 MAS would like to clarify that sub-custodians should be licensed, registered or authorised as a custodian in the jurisdiction where the sub-custody account is maintained.

Guidelines on the Appointment and Ongoing Monitoring of Custodians and Sub-custodians

2.6 Currently, MAS 105 on Appointment of Custodian and Fund Manager ("MAS 105") expects an insurer to consider the custodian's practices, procedures, internal controls, financial strength, general reputation and standing prior to appointing an overseas custodian. For consistency, MAS proposed to extend this guideline to the appointment of local custodians. A majority of the respondents agreed with MAS' proposal. One respondent was of the view that the extension of the current guideline to local custodians was not necessary since these custodians were regulated by the MAS.

2.7 MAS also proposed to introduce additional guidelines on the appointment and ongoing monitoring of custodians and sub-custodians so that insurers can better understand and monitor the risks involved. Respondents generally agreed with MAS' proposals. The detailed feedback, together with MAS' responses, are set out in paragraphs 2.10 to 2.20 of the paper below. A few respondents enquired if insurers could rely on independent assurance reports or attestations by custodians, to meet the requirements of the respective standards.

MAS' Response

2.8 MAS considers it appropriate to apply the same guidelines to both local and overseas custodians for consistency. Insurers should perform their due diligence prior to appointing a custodian, regardless of whether the custodian is regulated by the MAS.

2.9 MAS agrees that insurers can rely on assurances provided under independent assurance reports to the extent that the work done or assurance provided is relevant to the assessment of the respective guideline. Insurers are also allowed to rely on custodians' formal documented attestations that are signed off by a senior representative.

Guideline (a) – Consider custodian's contingency arrangements for asset recovery

2.10 MAS proposed that before appointing any custodian, an insurer should consider the custodian's business continuity plans ("BCP") with its own contingency arrangements for asset recovery, in the event of disruption or cessation of the custodian's operations. A majority of the respondents agreed with this guideline. A few respondents expressed

concerns that the custodians would usually classify their BCP as confidential and hence might not be willing to share them with their customers.

2.11 One respondent commented that asset recovery for custodians under distress would fall under the resolution regime of the respective jurisdictions. Hence, it might not be necessary for an insurer to consider its custodian's BCP.

MAS' Response

2.12 MAS is aware that the custodian's BCP could contain confidential information. The purpose of this guideline is for an insurer to consider the custodian's asset recovery-related BCP information, during the selection or appointment of the custodian so that it can understand how its assets can be recovered if the custodian's business is disrupted or has ceased. Hence, an insurer would only need to request for the custodian's applicable asset recovery-related BCP information and not the custodian's entire BCP.

2.13 On the feedback that the resolution regime would already cover asset recovery for custodians under distress, MAS would like to clarify that the situations for disruption or cessation of a custodian's business could extend beyond a resolution scenario. Therefore, an insurer should still consider the custodian's BCP information for asset recovery under other possible scenarios.

Guideline (b) – Assess custodian's internal controls on a regular basis

2.14 MAS proposed that an insurer should assess the custodian on a regular basis or when it is aware of any material change, to ensure that the custodian's internal controls for safeguarding the insurer's assets are adequate and effective. Two respondents sought clarification on what was meant by "regular basis". One respondent also enquired about what would constitute a "material change" that would necessitate an insurer's review of the custodian's internal controls.

MAS' Response

2.15 MAS would like to clarify that for the purpose of this guideline, "regular basis" would mean at least once annually. Examples of "material change" include adverse news relating to the custodian, and regulatory penalties imposed on the custodian for not adhering to custody rules or requirements on protection of customer's assets.

Guideline (c) – Assess custodian’s process of selecting, monitoring and reviewing its sub-custodians

2.16 MAS proposed that where an insurer’s custodian has appointed sub-custodians to safeguard its assets, the insurer should ensure that the custodian’s process of selecting, monitoring and reviewing its sub-custodians remain effective and satisfactory throughout the duration of appointment. Given that sub-custodians are directly appointed by the main custodians, some respondents commented that the custodians, rather than the insurers, should be responsible for selecting, monitoring and reviewing its sub-custodians. One respondent suggested that insurers could consider including certain provisions within the custody agreement to require custodians to perform due diligence on the appointed sub-custodians.

MAS’ Response

2.17 MAS agrees that the custodians are primarily responsible for selecting, monitoring and reviewing their sub-custodians. Nonetheless, the onus remains on the insurer, as the client seeking to safeguard its assets, to also take steps to satisfy itself that its custodian’s processes for selecting, monitoring and reviewing sub-custodians, are effective and satisfactory throughout the duration of appointment. Insurers can include provisions within the custody agreements to set out their expectations on the custodians’ appointment and ongoing monitoring of sub-custodians.

Guideline (d) – Maintain listing of custodians and sub-custodians and information on custodised assets

2.18 MAS proposed that an insurer should maintain a list of all its custodians and sub-custodians appointed to safeguard the insurer’s assets. MAS also proposed for the insurer to maintain a list on the amount of individual assets held by each custodian and sub-custodian for each insurance fund, and update this list on a regular basis or when there is a material change. Two respondents sought clarification on what was meant by “regular basis”.

MAS’ Response

2.19 For the purpose of this guideline, “regular basis” would mean at least once annually.

2.20 As mentioned in Section 4 below, MAS will allow an insurer to have an option to report its custodian information using one of two different templates (i.e. aggregated custodian information by types of assets or custodian information by individual asset)

under MAS Notice 122 on Asset & Liability Exposures for Insurers (“MAS 122”). MAS will revise this guideline to state that an insurer should update its records when there is a material change in the insurer’s assets held with a custodian or sub-custodian compared to its last annual submission under MAS 122.

3 Provisions to be Included in a Custody Agreement

Mandatory Requirements on the Provisions of a Custody Agreement

Provision (a) – Designation of Custody Account

3.1 MAS proposed to require insurers to include a mandatory provision in the custody agreement stating that the title of the custody account should be maintained in the name of the insurer licensed in Singapore, and the custodian and sub-custodian should identify the assets as belonging to the respective insurance fund established by the insurer under section 17(1) of the Insurance Act, either through sub accounts or otherwise.

3.2 Most respondents were supportive of maintaining the main custody account in the name of the licensed insurer in Singapore, and for the custodian to identify the assets as belonging to the respective insurance fund. However, several respondents commented that the insurer’s assets could not be separately identified at the sub-custodian level due to the use of omnibus account structures. The proposed provision would mean that omnibus account structures could no longer be used and segregated accounts would have to be set up to hold the insurer’s assets at the sub-custodian level. This would translate to higher custody costs for the insurer.

MAS’ Response

3.3 Having considered the feedback received, MAS will not require the sub-custodian to identify the insurer’s assets by insurance fund. This will permit the use of omnibus account structures for assets placed with the sub-custodian. MAS also notes that there are instances where the assets of insurers operating as branches in Singapore are held in the Head Office’s custody account. In such instances, these assets should be maintained in a sub-account of the Head Office’s custody account, with the sub-account being clearly identifiable as belonging to the Singapore branch, in line with MAS Guidelines on Implementation of Insurance Fund Concept¹.

¹[Guidelines on Implementation of Insurance Fund Concept](#)

3.4 In view of the above, MAS will modify the mandatory provisions as follows:

- (a) The custody account should be in the name of the insurer licensed in Singapore. In cases where the assets of the insurance branch in Singapore ("Singapore branch") are held in the Head Office's ("HO") custody account, these assets should, at minimum, be maintained in a separate sub-account that is clearly identified as belonging to the Singapore branch.
- (b) The assets of the insurer licensed in Singapore should be identified as belonging to the respective insurance fund established by the said insurer under section 17(1) of the Insurance Act through accounts or sub-accounts held with the custodian.

Provision (b) – Segregation of Insurer's Assets

3.5 To ensure proper segregation of insurer's assets, MAS proposed that the custody agreement set out that assets belonging to the insurer are kept separate from any other assets belonging to the custodian, sub-custodian or other clients of the custodian and sub-custodian.

3.6 Many respondents were supportive of the proposal to segregate the insurer's assets from the custodian and sub-custodian's own assets, and confirmed that this was the current market practice. However, these respondents highlighted that the sub-custodian will not be able to separate the insurer's assets from the assets of their other clients due to the use of omnibus account structures.

MAS' Response

3.7 Following the revisions made to provision (a) to permit the use of omnibus account structures for assets placed with sub-custodian, MAS will revise the provision to only require segregation of insurer's assets from assets of the custodian and sub-custodian.

Provision (c) – Withdrawal of Assets from Custody Account

3.8 To safeguard the insurer's assets, MAS proposed to require insurers to specify the circumstances in which the custodian or sub-custodian may withdraw assets from the custody account in the custody agreement, and to prohibit the custodian or sub-custodian from taking a charge, mortgage, lien or other encumbrance over the insurer's assets, unless otherwise agreed in writing.

3.9 A majority of the respondents were supportive of the proposal. One respondent suggested that the custodian or sub-custodian should be able to retain any lien, set-off or similar rights afforded to them under the laws of the respective jurisdiction, even if these circumstances were not set out in the custody agreement. Another respondent suggested that to be consistent with regulation 32(1)(c) of the Securities and Futures (Licensing and Conduct of Business) Regulations (“SF (LCB) Regulations”), the proposed provision should explicitly allow the custodian to take encumbrance over the insurer’s assets for charges relating to administration or custody of the assets.

3.10 Two respondents sought clarification on whether this provision would apply to cash accounts maintained by insurers with the custodians as part of the custody arrangement.

MAS’ Response

3.11 Notwithstanding that charges, mortgages, liens or other encumbrances may be allowed under the laws of some jurisdictions, these should be clearly specified in the custody agreement. If there are circumstances which require the custodian to withdraw assets from the custodian account, such as for charges relating to administration of the assets, these should be agreed upon in writing, in advance, with the insurers. This is consistent with the requirements under the SF (LCB) Regulations which also requires the custodian to obtain the agreement from its customers as part of the terms and conditions. MAS will maintain the existing provision to ensure clarity and transparency in the terms of the custody arrangement.

3.12 MAS would also like to clarify that the proposed mandatory provision is intended to apply to all of an insurer’s assets held in custody with a custodian, including cash assets.

Provision (d) – Extent of Custodian’s Liability

3.13 MAS proposed that the custody agreement should set out the extent of the custodian’s liability in the event of any loss of assets caused by fraud, wilful default or negligence on the part of the custodian, sub-custodian or its agents.

3.14 Several respondents were of the view that custodians should not be held liable for losses incurred due to fraud, wilful default, negligence or insolvency of third party sub-custodian or its agents, who were not affiliated to the custodian, as long as the custodian was able to demonstrate that it exercised good faith and reasonable care in the selection and monitoring of the sub-custodian and its agents.

3.15 Some respondents suggested for the provision to be made non-mandatory as setting an express provision on liability might encourage custodians to limit or cap their liability for certain events. Some respondents also commented that the determination of a custodian's liability might not be limited to instances of fraud, wilful default or negligence only.

MAS' Response

3.16 MAS would like to clarify that the purpose of this mandatory provision is for the contracting parties to have greater clarity of the party that would have to bear the liabilities in the event of loss caused by fraud, wilful default or negligence of the custodian, sub-custodian or its agents. This would minimise contractual disputes upon the occurrence of such events. MAS would also like to emphasise that the provision is not meant to encourage custodians to limit or deny their liability. MAS recognises that the custodian's liability may not be limited to instances of fraud, wilful default or negligence. Insurers can negotiate with the custodians to expand the scope of the provision if they wish to include other types of liabilities.

Provision (e) – Notification of Material or Systemic Breach

3.17 MAS proposed that the custody agreement provides for material or systemic breaches to be brought to the insurer's attention as soon as possible.

3.18 Several respondents requested that MAS define the term "material or systemic breach" so that the same standard and interpretation would be applied consistently across the insurance industry. Respondents also suggested that such breaches be brought to the insurer's attention within a reasonable timeframe, instead of as soon as possible, so that the custodian would have sufficient time to conduct investigation on the cause or impact of the breach before notifying the insurer.

MAS' Response

3.19 Insurers are expected to be able to determine what would constitute a material or systemic breach of the custody agreement. In general, this would include any breach in the terms of the custody agreement that could materially impact the insurer's business operations, reputation, profitability, ability to meet the obligation to its policyholders, or comply with applicable laws and regulations.

3.20 MAS is of the view that material or systemic breaches should be notified as soon as possible so that the insurer can take prompt actions to minimise potential losses. In the event that the custodian needs more time to conduct the investigation, the custodian

should notify the insurer with the preliminary information and provide periodic updates on the progress of its investigation.

Circumstances where the Mandatory Provisions cannot be Included

3.21 MAS sought feedback on circumstances where the proposed mandatory provisions cannot be included in the custody agreement.

3.22 Most respondents were of the view that the provisions can be included in the custody agreement. However, some respondents highlighted that it might be difficult to impose provisions specific to Singapore if the custody agreement was negotiated at the head office or group level, on behalf of all entities across the group. Some respondents suggested for MAS to allow flexibility in the drafting of the provisions to suit their respective custody arrangements.

MAS' Response

3.23 MAS notes the challenges highlighted by certain insurers in adopting the mandatory provisions. The proposed mandatory provisions are not unique to Singapore, and are currently adopted by several global custodians as a matter of good practice to ensure proper safeguarding of their customers' assets. MAS does not intend to stipulate the wordings of the mandatory provisions, and will allow flexibility in the drafting of the provisions as long as it achieves the objectives of the stated provisions.

Guidelines on the Provisions of a Custody Agreement

3.24 As a matter of good practice, MAS proposed that insurers include the following provisions in their custody agreement. MAS also sought feedback on whether these provisions could be set as mandatory provisions.

- (a) In the event that an insurer suffers a loss due to acts or omissions that the custodian is liable for, or for which the custodian accepts liability, the right of the insurer to recover from the custodian is not dependent upon the right of the custodian to recover from any of its sub-custodians or agents; and
- (b) Prior to placing an insurer's assets with a sub-custodian, the custodian will provide the insurer with a written notice of the identity of the sub-custodian with which the assets of the insurer are intended to be placed.

3.25 Most respondents were supportive of including the above as non-mandatory provisions. For provision (a), a few respondents highlighted that that it would not be

practical to set this as a mandatory provision because in some jurisdictions, it is a common understanding that an insurer's ability to recover losses arising from acts or omissions of the sub-custodian would depend on the custodian's ability to recover such losses from the sub-custodian.

3.26 For provision (b), one respondent commented that it would not be practical to provide a written notice to the insurer prior to every appointment of a sub-custodian. The notification of a new or replacement sub-custodian would however be done promptly, giving the insurer sufficient time to communicate this appointment to its portfolio managers and trading counterparties.

MAS' Response

3.27 Taking into account the feedback above, MAS will maintain these provisions as non-mandatory guidelines.

3.28 For provision (a), MAS would like to add that it is in the insurer's interest to negotiate with the custodian and set out clearly in the custody agreement that for losses where the custodian is liable for, or has accepted liability, the insurer's right to recover from the custodian is not further restricted by the latter's ability to recover the losses from its sub-custodians or agents.

3.29 For provision (b), MAS would like to clarify that the intent of the provision is to ensure that the insurer is provided with prompt written notice of the identity of the newly appointed sub-custodian(s), so as to allow the insurer to raise any concerns over the sub-custodian to be appointed to safeguard its assets. However, MAS does not intend to set out the manner and channel in which the insurer is to be updated. For example, the custodian can notify the insurer prior to the placement of assets with each new sub-custodian, or ex-ante provide the insurer with a list of all sub-custodians that it could place the client assets with.

4 Information Collected on Custody Arrangements

4.1 To streamline the reporting requirements, MAS proposed to collect the reporting requirements on insurers' custodian information under MAS 122. In addition, to reduce reporting burden of the insurers, MAS sought insurers' comments on the preferred reporting template (i.e. Option 1 to report aggregated custodian information by types of assets or Option 2 to report custodian information by individual asset).

4.2 A majority of the respondents welcomed the streamlined reporting under MAS 122. The responses on the preferred reporting templates were mixed. Respondents in

favour of the respective options were of the view that their preferred option would help to minimise their administrative and reconciliation efforts. Some respondents suggested to further streamline the reporting requirements by expanding the other MAS 122 tables, such as Table 2 on the Breakdown of Debt Securities, to include custodian information.

4.3 In terms of the details required in the proposed template, some respondents suggested that for practical reasons, the information request should be limited to all assets held by or through the main custodian without requiring the breakdown of assets held by the sub-custodian(s). A few respondents indicated that since it was uncommon to have more than one layer of sub-custodian, the information request could cover all assets held by or through the main custodian and its immediate sub-custodian, if applicable. A few respondents also highlighted potential challenges in providing information on the "Name of owner shown in the asset title". This was because the legal title of the assets might not always be in the name of the beneficial owner (i.e. the insurer), for example, securities in certain countries could be traded in bearer form or be held in the name of the central depository.

4.4 One respondent sought clarification on whether custodised assets relating to unit reserves of the investment-linked business were required to be reported, as such assets were not required to be reported for other MAS 122 tables.

4.5 Several respondents sought clarification on whether insurers were still required to submit custodian information under MAS 105, and whether the reporting of custodian information would be on an annual basis.

MAS' Response

4.6 MAS notes the broadly even preferences for both options among respondents, and will permit insurers to submit the custodian information using either Option 1 or Option 2. Given the flexibility extended to use either of the options, it will not be practical to expand the other MAS 122 tables to include custodian information.

4.7 MAS expects insurers to report their exposures to all custodians and sub-custodians rather than the main custodian only so that they can better monitor their exposures. Having considered the feedback received, MAS will make the following changes to the submission template:

- (a) Amend "Name of owner in asset title" to "Name of party contracted with the custodian (input is only required if the name of contracted party is different from the name of insurer licensed in Singapore)";
- (b) Remove information request on location of owner shown in the asset title;

- (c) Add details on central depository holding the asset, i.e. "Name of Central Depository" and "Location of Central Depository"; and
- (d) Remove information request on level 3 sub-custodian and ultimate custodian.

The final templates can be found in Appendices 3 and 4.

4.8 MAS would like to clarify that custodised assets relating to unit reserves of the investment-linked business should also be reported in the submission, as these assets form part of insurers' overall exposures to the custodians or sub-custodians.

4.9 Under the proposed reporting requirements, insurers will only be required to make annual electronic submission of custodian information to MAS under MAS 122. The current reporting requirement under MAS 105 will be removed accordingly.

5 Applicability of MAS 105

5.1 Currently, the reporting requirements under MAS 105 are applicable to captives and marine mutual insurers while the reporting requirements under MAS 122 are not applicable to these insurers. To align the reporting requirements, MAS proposed not to subject captives and marine mutual insurers to all the reporting requirement on custodian information under MAS 122.

5.2 Two respondents sought clarification for the exclusion of captives and marine mutual insurers from the reporting requirements. Another respondent enquired if the proposals outlined in the paper would apply to investments in collective investment schemes ("CIS").

5.3 One respondent sought clarification on whether sub-custodians would encompass central security depositories, noting that depositories in some jurisdictions would not be able to comply with the proposed requirements as they are only allowed to hold omnibus account structures for holding customer assets.

MAS' Response

5.4 The reporting requirements in MAS 122 are currently not extended to captives and marine mutual insurers because they primarily insure their own entities or members, and hence pose lower systemic risk as compared to other licensed insurers. However, captives and marine mutual insurers will still be subject to the requirements and guidelines on the appointment and ongoing monitoring of custodians and sub-custodians, and the provisions to be included in a custody agreement, where applicable.

5.5 MAS notes that the appointments of custodian and sub-custodian for CIS are not within the control of the investors such as an insurer. Therefore, the proposals in the consultation paper would not apply to an insurer that invests in such CIS. Nonetheless, MAS expects insurers to consider the safety and recoverability of assets when pursuing all types of investments including CIS.

5.6 MAS would also like to clarify that sub-custodians would not encompass central security depositories given that their role as financial market infrastructures would be to facilitate the clearing, settlement and recording of financial transactions.

6 Implementation and Transitional Arrangements

6.1 MAS proposed to begin collecting the custodian information, based on the revised template under MAS 122, from the accounting period ending 31 December 2017. MAS also proposed to allow for a transitional period of one year from the date of the revised MAS 105 for insurers to effect the other necessary changes.

6.2 A majority of the respondents were agreeable with the implementation timelines, while a number of respondents requested a longer transition period to make the necessary changes to the internal systems and custody agreements.

6.3 One respondent commented that it may be difficult to re-negotiate existing contracts with custodians, and requested that the requirements and guidelines in the revised MAS 105 only apply prospectively to new custody arrangements.

MAS' Response

6.4 In order to provide insurers with sufficient time to make changes to their systems, MAS will start collecting the custodian information under MAS 122 for asset position as at 31 December 2019. The first set of returns will be due by 31 March 2020. The implementation timeline to effect other changes in the revised MAS 105 will also be deferred to 1 January 2020.

6.5 MAS would also like to clarify that the revised MAS 105 is applicable to all existing and new custody agreements starting from the implementation date. The transitional period of one year is given for insurers to implement the requirements, including time required to re-negotiate existing contracts.

MONETARY AUTHORITY OF SINGAPORE

28 AUGUST 2018

Appendix 1

**MANDATORY REQUIREMENT AND GUIDELINES ON
THE APPOINTMENT AND ONGOING MONITORING OF CUSTODIANS AND SUB-CUSTODIANS²**

Appointment and Ongoing Monitoring of Custodians and Sub-custodians		Existing /New	Revised
<i>Mandatory requirement</i>			
1	An insurer should ensure that the custodian and its sub-custodian (if any) are licensed, registered, or authorised to act as custodians in the jurisdiction where the custody account is maintained.	New	An insurer shall ensure that the custodian and sub-custodians (if any) are licensed, registered, or authorised to act as custodians in the jurisdiction where the respective custody and sub-custody accounts are maintained.
<i>Guidelines</i>			
2	An insurer should consider the custodian's practices, procedures, internal controls, financial strength, general reputation and standing prior to appointment. A custodian should have financial strength rating of at least investment grade by a reputable credit rating agency). Where the candidate does not meet the financial strength benchmark, the insurer should exercise added care and prudence in assessing the quality of the candidate to ensure safe custody of its assets.	Existing	

² The proposed wordings are in draft form and subject to change.

3	Before appointing any custodian, an insurer should consider the custodian's business continuity plans with the insurer's own contingency arrangements for asset recovery, in the event of disruption or cessation of the custodian's operations.	New	Before appointing any custodian, an insurer should consider the applicable aspects of the custodian's business continuity plans ("BCP") to ascertain how the insurer's assets can be recovered in the event of disruption or cessation of business by the custodian.
4	An insurer should reassess the custodian on a regular basis or when it is aware of any material change, to ensure that the internal controls for safeguarding the insurer's assets are adequate and effective.	New	An insurer should assess the custodian on an annual basis or when it is aware of any material changes that could adversely affect the custodian's ability to provide safe custody of its assets, so as to ensure that the internal controls for safeguarding the insurer's assets are adequate and effective.
5	If an insurer's custodian has appointed sub-custodians to safeguard the insurer's assets, the insurer should ensure that the custodian's process of selecting, monitoring and reviewing its sub-custodians remain effective and satisfactory throughout the duration of appointment.	New	Where an insurer's custodian has appointed sub-custodians to safeguard the insurer's assets, the insurer should ensure that the custodian's process of selecting, monitoring and reviewing the sub-custodians remain effective throughout the duration of appointment.
6	An insurer should maintain a complete list of all its custodians and sub-custodians appointed to safeguard the insurer's assets, and update the list for any subsequent appointment or removal. The list should include a breakdown of the amount of individual asset held by each custodian and sub-custodian for each insurance fund, and should be updated on a regular basis or when there is a material change.	New	<p>An insurer should maintain a list of all the custodians and, where applicable, sub-custodians appointed to safeguard the insurer's assets, and update the list for any subsequent appointment or removal of custodian or sub-custodian.</p> <p>The list should include a breakdown of the amount of assets held by each custodian and sub-custodian for each insurance fund, and should be updated annually or when there is a material change relative to what it had reported to MAS under MAS 122.</p>

Appendix 2

**MANDATORY REQUIREMENTS AND GUIDELINES ON
THE PROVISIONS TO BE INCLUDED IN A CUSTODY AGREEMENT³**

Provisions to be Included in a Custody Agreement		Existing /New	Revised
<i>Mandatory provisions</i>			
1	The title of the custodian account should be maintained in the name of the insurer licensed in Singapore, and the custodian and sub-custodian should identify the assets as belonging to the respective insurance fund established by the insurer under section 17(1) of the Insurance Act, either through sub-accounts or otherwise.	New	(a) The custody account should be in the name of the insurer licensed in Singapore. In cases where the assets of the insurance branch in Singapore ("Singapore branch") are held in the Head Office's ("HO") custody account, these assets should, at minimum, be maintained in a separate sub-account that is clearly identified as belonging to the Singapore branch. (b) The assets of the insurer licensed in Singapore should be identified as belonging to the respective insurance fund established by the said insurer under section 17(1) of the Insurance Act through accounts or sub-accounts held with the custodian.
2	The insurer's assets should be kept separate from any other assets belonging to the custodian, sub-custodian or other clients of the custodian and sub-custodian.	New	(c) The assets of the insurer licensed in Singapore should be kept separate from assets belonging to the custodian and the sub-custodian.
3	The circumstances in which the custodian or sub-custodian may withdraw assets from the account should be limited and clearly specified. Further, the custodian or sub-custodian	New	NA

³ The proposed wordings are in draft form and subject to change.

	should be prohibited from taking a charge, mortgage, lien or other encumbrance over, or in relation to, assets of the insurer, unless otherwise agreed upon in writing.		
4	The extent of the custodian's liability in the event of any loss of assets maintained with the custodian caused by fraud, wilful default or negligence on the part of the custodian, its sub-custodians or its agents.	New	The extent of the custodian's liability in the event of any loss of assets maintained with the custodian caused by fraud, wilful default or negligence on the part of the custodian, its sub-custodians or its agents should be clearly specified in writing.
5	Any material or systemic breach of the agreement should be brought to the insurer's attention as soon as possible.	New	NA
Guidelines			
6	In the event that an insurer suffers a loss due to acts or omissions that the custodian is liable for, or for which the custodian accepts liability, the right of the insurer to recover from the custodian is not dependent upon the right of the custodian to recover against any of its sub-custodians or its agents.	New	NA
7	Prior to placing an insurer's assets with a sub-custodian, the custodian will provide the insurer with a written notice of the identity of the sub-custodian with which the assets of the insurer are intended to be placed.	New	The custodian should provide the insurer with prompt written notice of the identity of the sub-custodian(s) to be appointed to safeguard the insurer's assets.

Appendix 3

SUBMISSION TEMPLATE FOR REPORTING AGGREGATED INFORMATION BY ASSET CLASS HELD WITH EACH CUSTODIAN

The submission template can be found [here](#).

Appendix 4

SUBMISSION TEMPLATE FOR REPORTING INFORMATION ON INDIVIDUAL ASSET HELD WITH EACH CUSTODIAN

The submission template can be found [here](#).

Annex A

**LIST OF RESPONDENTS TO THE CONSULTATION PAPER ON
REVIEW OF MAS 105 ON INSURERS' APPOINTMENT
OF CUSTODIANS AND FUND MANAGERS**

1. Asia Capital Reinsurance Group Pte Ltd
2. AIA Asia Pacific Insurance Pte. Ltd.
3. Allianz Global Corporate & Specialty SE, Singapore Branch
4. AXA Life Insurance Singapore Private Limited⁴
5. AXA Insurance Singapore Pte Ltd⁴
6. First Capital Insurance Ltd
7. Friends Provident International Ltd (Singapore Branch)
8. Ironshore Insurance Limited, Singapore Branch
9. Manulife (Singapore) Pte. Ltd.
10. Old Mutual International Isle of Man Limited Singapore Branch, who requested confidentiality of submission
11. Prudential Assurance Co. Singapore (Pte) Ltd
12. QBE Insurance (Singapore) Pte. Ltd.
13. St. James Place International Plc (Singapore Branch)
14. Swiss Reinsurance Company Ltd, Singapore Branch
15. The Association of Global Custodian, Asia Focus Committee
16. The Great Eastern Life Assurance Company Limited
17. The Toa Reinsurance Company Limited (Singapore Branch)
18. Tokio Marine Insurance Singapore Ltd
19. United Overseas Insurance Ltd

⁴ Since 1 Jan 2017, AXA Life Insurance Singapore Private Limited and AXA Insurance Singapore Pte Ltd have merged and are known as AXA Insurance Pte Ltd.

20. Zurich Insurance Company Ltd (Singapore Branch), who requested confidentiality of submission
21. Zurich Life Insurance (Singapore) Pte Ltd, who requested confidentiality of submission
22. Zurich International Life Limited (Singapore Branch), who requested confidentiality of submission
23. Four respondents requested confidentiality of identity
24. Fifteen respondents requested confidentiality of identity and submission

Please refer to Annex B for the submissions.

Annex B

**FULL SUBMISSIONS FROM RESPONDENTS TO THE CONSULTATION PAPER
ON REVIEW OF MAS 105 ON INSURERS' APPOINTMENT
OF CUSTODIANS AND FUND MANAGERS**

Note: The table below only includes submissions for which respondents did not request confidentiality.

S/N	Respondent	Full Response from Respondent
1	Asia Capital Reinsurance Group Pte Ltd	<p>General Comments: We are OK with the enhancements.</p> <p>Question 12: MAS had a question on the preferred reporting and for ACRGP it is Option 1 as it is more efficient and accurate for our reporting.</p>
2	AIA Asia Pacific Insurance Pte. Ltd.	<p>Question 12 Our preferred method of reporting custodian information is Option 1.</p>
3	Allianz Global Corporate & Specialty SE, Singapore Branch	<p>Question 1: We generally support this proposal. We ask for consideration on markets where there is no standard process for custody licensing such as in the United States where licensing requirements differ from states to states e.g. licensing requirements addressing fiduciary capacity of a custodian.</p> <p>Question 2: We generally support this proposal.</p> <p>Question 3: We generally support this proposal. We consider a general reassessment of custodian on an annual basis to be reasonable unless there are circumstances that warrant a more frequent assessment such as events which are publically disclosed that lead us to believe that our risk exposure to the appointed custodian has changed.</p> <p>Question 4:</p>

S/N	Respondent	Full Response from Respondent
		<p>We generally support this proposal which is governed by the general business conditions agreement with the custodian that regulate the custodian's business relationship with its clients.</p> <p>Question 5: We see that the conditions as stated in question (4) can generally be fulfilled by the custodians in their general business conditions, although in some cases, it may result in higher running cost for the insurer. E.g in markets such as Euroclear, it is common practice for a global custodian to set up an omnibus account. The request of a specific omnibus account for Singapore, when it is possible, would result in higher cost due to additional operational complexity involved.</p> <p>Question 6: We generally feel that the requirements stated in question (4) provide reasonable oversight to safeguard insurers' assets.</p> <p>Question 7: We feel that it would be difficult to enforce as mandatory provisions in the terms and condition of the contract due to different standard custodian contractual practices across the markets. In addition, for large global companies where custodian agreements are negotiated on a group basis stemming from its internal control frameworks, mandatory provisions that are specifically required by Singapore can be administratively onerous to manage.</p> <p>Question 8: It is dependent on the standard custodian contractual practices across the markets and also the company's custodian arrangement.</p> <p>Question 9: We generally feel that the mandatory requirements provide an adequate basis to safeguard the assets of the insurers.</p> <p>Question 10: We generally support the proposal that the information requested is reasonable.</p> <p>Question 11: We generally support the proposal that the information requested is reasonable.</p>

S/N	Respondent	Full Response from Respondent
		<p>Question 12: We generally support Option 1 for aggregated custodian information.</p> <p>Question 13: We generally feel that the requirements should be extended to captives and marine mutual insurers who should also safeguard their assets to support their policy liabilities in Singapore.</p> <p>Question 14: We generally support the proposed timeline.</p> <p>Question 15: We generally feel that the transitional period of one year is necessary and sufficient to provide adequate time for our custodians and sub custodians to adjust their modus operandi to fulfil the necessary requirements.</p>
4	AXA Life Insurance Singapore Private Limited ("ALS") and AXA Insurance Singapore Pte Ltd	<p>Question 1: Our custodians are mainly large institutional custodians and we ensure our custodians are all licensed prior to engaging them. As our custodians are large and licensed, we should not have difficulties ensuring our sub-custodians are licensed in their jurisdiction.</p> <p>Question 2: We do not have difficulties in meeting the requirements of financial strength rating of at least investment grade by a reputable agency.</p> <p>Question 4: Mandatory requirements amendments will require insurers to re-negotiate the custodial agreement, this will require time especially in the context of regionally negotiated agreements. In view of such process, insurers should be given sufficient time to discuss and negotiate the Agreement with their custodian banks.</p> <p>Question 5: In order to comment specifically on this, we may need to discuss further with our custodian and renegotiate the custodian contracts. As of now, we do not have any comments.</p> <p>Question 7: We agree on the importance of the mandatory requirements. However, mandatory requirements amendments will require insurers to re-negotiate the custodial agreement, this will require</p>

S/N	Respondent	Full Response from Respondent
		<p>time especially in the context of regionally negotiated Agreements. In view of such process, insurers should be given sufficient time to discuss and negotiate the Agreement with their custodian banks.</p> <p>Question 8: In order to comment specifically on this, we may need to discuss further with our custodian and renegotiate the contracts. As of now, we do not have any comments.</p> <p>Question 10: We do not have any difficulties in providing information on the current asset inventory requirements under MAS122.</p> <p>Question 11: We do not have any difficulties in providing information on the current asset inventory requirements under MAS122.</p> <p>Question 12: We are in favour of option 2.</p> <p>Question 13: We do not have any issues as this is not applicable for us.</p> <p>Question 14: We do not foresee any difficulties in providing based on the revised template but we would like to seek clarification on the current differences in providing asset inventory in MAS105 and MAS122.</p> <p>MAS122 currently requires insurers to disclose all asset inventory data other than unit linked funds and MAS105 requires insurers to disclose all asset inventory data for all custodised assets by the insurer.</p> <p>Our custodised assets for ALS includes unit linked funds and under the new proposed amendments of MAS122, the information of the custodised unit linked funds are required to be reported. Is our understanding of the new proposed amendments in-line with MAS proposed amendments?</p> <p>Question 15: The transitional period of one year is necessary and sufficient for reporting requirements. However, for the mandatory and provisional agreements with our custodians, we may need up to 18 months or</p>

S/N	Respondent	Full Response from Respondent
		more, if they were to diverge from the proposed amendments as we renegotiate the contracts.
5	First Capital Insurance Ltd	<p>Question 12: Option 1.</p> <p>Question 15: The transitional period provision is fine.</p>
6	Friends Provident International Ltd (Singapore Branch)	<p>Question 3: The due diligence reviews conducted by the custodians over their appointed sub-custodians are confidential. The custodians may not reveal this to the insurer. We propose the responsibility of on the process of selecting, monitoring and reviewing the sub-custodians should be directly placed with the custodians rather than the insurer.</p> <p>Question 7: We suggest for the proposed provisions to be applied for new custodian agreements and should not be applied retrospectively for existing/current custodian agreements</p>
7	Ironshore Insurance Limited, Singapore Branch	<p>Question 1: The custodian, BNY Mellon, is licensed, registered and authorized to act as a custodian in Singapore. Therefore we are in compliance and have no issue with this requirement.</p> <p>Question 2: We have no issue with the new proposed guidelines, but would need to put in place a process to ensure compliance if these is implemented.</p> <p>Question 3: We have no issue with the new proposed guidelines, but would need to put in place a process to ensure compliance if these is implemented.</p> <p>Question 4: We have no issue with these proposed mandatory requirements, but would need to amend the Custodian Agreement and put in place a process to ensure compliance if these are implemented.</p> <p>Question 5: There are no specific situations for Ironshore where these provisions cannot be included.</p>

S/N	Respondent	Full Response from Respondent
		<p>Question 6: There are no additional provisions that we suggest should be included.</p> <p>Question 7: We have no additional comments on the provisions.</p> <p>Question 8: There are no specific situations for Ironshore where these provisions cannot be included.</p> <p>Question 9: We have no recommendations for additional provisions. Option 1 would seem to be the most efficient, but Ironshore would be able to comply with option 2.</p> <p>Question 10: We have no additional comments on the provisions.</p> <p>Question 11: The inclusion of the appointed custodian and sub-custodians information based on the simplify requirement (i.e. reporting just the country that the custodians, sub-custodians, and owners (as shown in the asset title) are located in) should not be too difficult as the information is available.</p> <p>Question 12: Preferred for Option 1 as this will greatly help us to reduce the time spend in populating the information/data in the template required.</p> <p>Question 13: The inclusion or exclusion of captive and marine mutual insurers has no impact to us and thus it is not applicable to us.</p> <p>Question 14: The proposed implementation timeline seems reasonable as it allow the insurer more than sufficient time to liaises with the custodian to ensure that all required information is available and also monitor the report provided by the Custodian.</p> <p>Question 15: The proposed implementation timeline seems reasonable as it allow the insurer more than sufficient time to liaises with the custodian to</p>

S/N	Respondent	Full Response from Respondent
		ensure that all required information is available and also monitor the report provided by the Custodian.
8	Manulife (Singapore) Pte. Ltd.	<p>Question 1: We agree that it is a good practice to appoint only custodian and sub-custodian that are licensed, registered or authorised in the jurisdiction where the custody account is maintained. This can only be imposed via a legal arrangement between insurer and custodian as part of the due diligence expected of the arrangement. There is dependency in relation to the custodian's process in the appointment of sub-custodian and notification to insurer on the arrangement because insurer does not have any direct controls and relationship with the sub-custodian. Nevertheless, the custodian's oversight on this process can be part of the consideration in the appointment of custodian.</p> <p>Question 3: Extensive effort may be required to negotiate and implement changes made to current legal arrangement and due diligence process of insurer and updates to both insurers' and custodians' business processes (including overseas custodian), particularly the proposed standard on asset recovery. Where the rectification concerns an existing custody agreement, propose that changes be made when the agreement is substantially amended, renewed or extended, whichever is earliest.</p> <p>Question 4: It may not be an existing practice to maintain the title of the custodian account in the name of insurer licensed in Singapore in the sub-custodian records, especially for those under different jurisdictions. The titles in the sub-custodian records are usually maintained under custodian name as nominees. And it is the custodian who will maintain the titles in the name of insurer and identify the assets as belonging to the respective insurance fund. It will be challenging to mandate overseas sub-custodians to identify the assets as belonging to respective insurance funds if they are not setup accordingly.</p> <p>Nevertheless, we agree that the custodian's liability should be extended to event of any loss of assets caused by fraud, wilful default or negligence on the part of sub-custodian. However, insurer may continue to face the challenge on asset recovery where the liability of custodian is capped at a certain level. Most of current legal clauses on liability only limit to negligence act, where custodian is not</p>

S/N	Respondent	Full Response from Respondent
		<p>responsible for losses or damages suffered as a result of insolvency of any sub-custodian.</p> <p>In addition, time and effort will be required for the industry to incorporate the proposed mandatory provision as this may also include revision to be made on the agreement between custodian and overseas sub-custodian in different jurisdiction before concluding the revisions required on the agreement between insurer and custodian.</p> <p>Question 5: The asset may not register in the name of the insurer in sub-custodian records and may be registered under nominee's name. There may be difficulty in mandating such change to sub-custodian record of different jurisdiction.</p> <p>Question 7: It will be challenging to mandate sub-custodians of different jurisdiction to identify the assets as belonging to respective insurance fund as this may require updates and changes made to the records and setup of sub-custodians. In addition, it is challenging to mandate the extent of custodian's liability over sub-custodian, where recoverability is not dependent upon the right of the custodian to recover assets placed sub-custodian as this is usually capped at a certain level.</p> <p>Question 8: As addressed in question 7.</p> <p>Question 10: We favour the consolidation of MAS 105 submission with MAS 122 submission to minimise duplicate submission.</p> <p>Question 12: Both options are acceptable but with preference to Option 1 as the amount of data input required is easier to manage.</p> <p>Question 15: A transitional period of at least one year is necessary to setup the process for data collection, validation and the mechanism of uploading data to MAS forms.</p>
9	Prudential Assurance	Question 1:

S/N	Respondent	Full Response from Respondent
	Co. Singapore (Pte) Ltd	<p>We agree that it is important to appoint custodians and sub-custodians that are licensed, registered or authorised to act as custodians in the jurisdiction where the custody account is maintained, so as to safeguard the assets deposited with them.</p> <p>For situations where the main/global custodian appoints one or more sub-custodians, as there are no contractual relationships between the insurer and the sub-custodians, we proposed that the insurer is able to rely on the main/global custodian to provide evidence that the sub-custodians are licensed, registered and authorized by the local authority. Acceptable evidence may be in the form of certificates, online directory or relevant documents issued by the local authority.</p> <p>Question 2: Currently we are already applying the same standards in our assessment to appoint custodians (whether overseas or local) and hence we have no issues with the proposal.</p> <p>Question 3: The requirements set out in the proposed standards are included in our due diligence questionnaires when evaluating the appointment of new custodians as well as the annual due diligence assessment for the ongoing monitoring of custodians.</p> <p>Similar to our response to Question 1, for situations where the main/global custodian appoints one or more sub-custodians, we proposed that the insurer is able to rely on the declaration by the custodian and sub-custodians that provide attestation on matters such as internal control, audit clearance, business continuity plan.</p> <p>Question 4: To include the proposed mandatory provisions in the custodian agreements would certainly strengthen the protection to the insurers and their assets. However, we would like to clarify for para 3.2 (e) how “...material and systemic breach of the agreement...” is being defined.</p> <p>Question 5: We are not aware of any, however, subject to definition of para 3.2 (e).</p> <p>Question 6: Currently it is very clear that investment securities (ie equities, fixed income) can be segregated and maintained in the name of the</p>

S/N	Respondent	Full Response from Respondent
		<p>insurer. However, this is not the case for cash, which is co-mingled with the cash of the custodian/sub-custodian. To truly safeguard the insurance fund assets, we propose to include additional wording in italics in para 3.2 (a) "... identify the assets [including all cash] as belonging..." We would also propose to include additional wording in italics in para 3.2 (c) "....mortgage, lien and [set off] or other..."</p> <p>Question 7: We do not have issues and agree with the proposed provisions to be included in the custodian agreement.</p> <p>Question 8: We are not aware of any.</p> <p>Question 9: We do not think of any other provisions, besides those already mentioned.</p> <p>Question 10 We agree to the proposal for a more standardised reporting format.</p> <p>Question 11: We agree to the proposal. However, the template requires information for ALL assets in the SIF, OIF and SHF. For assets where no custody is required, for instance investment into funds/UT/CIS, please clarify what "custody" information should be reported.</p> <p>Question 12: Option 2 to report custodian information by individual assets is preferred to minimise administrative and reconciliation efforts of reporting the assets on aggregate custodian basis.</p> <p>Question 13: Not applicable</p> <p>Question 14: No issue with the proposed timeline, subject to the provisions of having the transitional period of one year from date of revised notice.</p> <p>Question 15: We do not have issues with the one year transitional period.</p>

S/N	Respondent	Full Response from Respondent														
10	QBE Insurance (Singapore) Pte. Ltd.	<p>Question 4:</p> <p>In relation to the mandatory requirement in Annex 1 of the Consultation Paper, QBE is comfortable with the position proposed by MAS. In relation to the mandatory requirements in Annex 2 of the Consultation Paper, QBE makes the following comments:</p> <table><tr><th>Req No</th><th>Comment</th></tr><tr><td>1.</td><td>QBE is comfortable with the requirement that any assets in direct custodial or sub-custodial relationships be identified as being held in the insurer’s name.</td></tr><tr><td></td><td>From a contract administration perspective, to require direct custodial relationships between each Singaporean insurance entity and their direct custodians creates an unnecessary burden and added complexity to contractual frameworks.</td></tr><tr><td>2.</td><td>QBE is comfortable with this proposal.</td></tr><tr><td>3.</td><td>QBE is comfortable with this proposal.</td></tr><tr><td>4.</td><td>QBE is comfortable with this proposal.</td></tr><tr><td>5.</td><td>QBE submits that custodians must notify insurers of material or systemic breaches ‘as soon as practicable’ instead of ‘as soon as possible’.</td></tr></table> <p>Question 5:</p> <p>Please see response to Question 4.</p> <p>Question 10:</p> <p>We would like to understand if this will be an annual requirement.</p> <p>Question 12:</p> <p>Option 2.</p> <p>Question 15:</p> <p>We would like to request for 1.5 year.</p>	Req No	Comment	1.	QBE is comfortable with the requirement that any assets in direct custodial or sub-custodial relationships be identified as being held in the insurer’s name.		From a contract administration perspective, to require direct custodial relationships between each Singaporean insurance entity and their direct custodians creates an unnecessary burden and added complexity to contractual frameworks.	2.	QBE is comfortable with this proposal.	3.	QBE is comfortable with this proposal.	4.	QBE is comfortable with this proposal.	5.	QBE submits that custodians must notify insurers of material or systemic breaches ‘as soon as practicable’ instead of ‘as soon as possible’.
Req No	Comment															
1.	QBE is comfortable with the requirement that any assets in direct custodial or sub-custodial relationships be identified as being held in the insurer’s name.															
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4.	QBE is comfortable with this proposal.															
5.	QBE submits that custodians must notify insurers of material or systemic breaches ‘as soon as practicable’ instead of ‘as soon as possible’.															
11	St. James Place International Plc (Singapore Branch)	<p>General comments:</p> <p>We are supportive of the proposals presented in the consultation paper. We believe that a strong regime over custodian arrangements is essential to safeguard the interests of retail customers.</p> <p>We are broadly comfortable with the proposals and have in place a robust due diligence process and appropriate governance</p>														

S/N	Respondent	Full Response from Respondent
		<p>framework over our custodian and are happy to confirm that the proposed provisions are currently included in our custodian agreement.</p> <p>We are comfortable with the proposed implementation timeline to begin the submission of custodian information, based on the revised template, from 31 December 2017 and believe the transitional period of one year may be necessary for other insurers' to negotiate and make changes to their custodian agreements where necessary.</p> <p>Question 1: We have no comment on the proposed mandatory requirement. Our custodian is regulated and authorised in the jurisdiction where our custody account is maintained.</p> <p>Question 2: We have no view on this proposal. Our custodian is based overseas.</p> <p>Question 3: We have no comment on the proposed standards. Our due diligence process and governance framework currently considers these proposed standards.</p> <p>Question 4: We have no comment on this proposal. The proposed mandatory provisions are currently included in our custodian agreement.</p> <p>Question 7: We have no comment on this proposal. The proposed provisions are currently included in our custodian agreement.</p> <p>Question 11: We have no comment on the proposed amendments and will be able to provide the additional information.</p> <p>Question 12: We have no view on this question and will be able to report custodian information accordingly.</p> <p>Question 14: We are comfortable with the proposed implementation timeline.</p> <p>Question 15:</p>

S/N	Respondent	Full Response from Respondent
		We believe the transitional period of one year may be necessary for other insurers to negotiate and make changes to their custodian agreements where necessary.
12	Swiss Reinsurance Company Ltd, Singapore Branch	<p>General comments:</p> <p>The purpose of a global custodian is to pool investments from multiple markets at one single account (global custodian) compared to maintaining individual accounts in each market. In order to be able to safe keep those assets at the global custodian, the global custodian entertains a network of sub-custodians. It is common market practice that the selection, maintenance, monitoring, etc. is solely done by the global custodian. Insurance companies are not involved in the process.</p> <p>Swiss Re is able to monitor global custodians, but not sub-custodians. There is no contractual relationship between Swiss Re and sub-custodians. The global custodian has the responsibility to select and monitor sub-custodians and can provides information on their processes to Swiss Re. Overall, we believe insurance companies can monitor global custodians, and their processes to select and monitor sub-custodians, but we do not believe insurance companies are in a suitable position to directly monitor sub-custodians on an ongoing basis.</p> <p>Question 1 to Question 3: See general comments.</p> <p>Question 4: In general, we support MAS's intentions to increase protection of insurers' assets by imposing heightened standards on custodian agreements.</p> <p>Question 5: See general comments. We suggest that any provisions in custody agreements shall take into account that insurance companies rely on the global custodian's processes to select and monitor sub-custodians.</p> <p>Question 10 and Question 11 We suggest to report only on the level of the appointed global custodian.</p> <p>Question 12 Option 2 preferred.</p>

S/N	Respondent	Full Response from Respondent
		<p>Question 15 One year transition period is necessary.</p>
13	The Association of Global Custodian, Asia Focus Committee	<p>General comments: The Association of Global Custodians (AGC), through its Asia Focus Committee (Committee), is grateful for the opportunity to respond on behalf of its member banks on Questions “4”, “5” and “7” only.</p> <p>The AGC has had extensive engagement globally with regulatory authorities on securities custody initiatives (including segregation requirements) at individual country levels, at the EU level (The European Securities and Markets Authority (ESMA) “Call for Evidence Asset Segregation and Custody Services”, to which the AGC’s European Committee responded in September 2016) and at the international level, most recently with respect to the International Organization of Securities Commissions (“IOSCO”) Principles regarding the Custody of Collective Investment Schemes’ Asset Consultation Report (CR07/2014), which led to the issuance of FR25/2015, Standards for the Custody of Collective Investment Schemes Assets (the “IOSCO Report”). The AGC would gladly make available to the MAS any of these responses. They reflect a definitive consistency in the AGC’s response regarding segregation of customer assets, which is set out accordingly further below in this response to the MAS’ Consultation Paper.</p> <p>Question 4: Provisions 3.2 (a) and 3.2 (b) In respect of Provision 3.2(a), the title of the custodian account should be maintained in the name of the insurer located in Singapore; the title of a securities account maintained by any other securities account provider in the custody chain and on which assets belonging to an insurance fund are held, should identify the assets held on the account as being held on behalf of clients of the securities account holder.</p> <p>In respect of Provision 3.2(b), setting out a proposed requirement that [t]he insurer’s assets should be kept separate from any other assets belonging to the custodian, sub-custodian or other clients of the custodian and sub-custodian”, the Committee calls to the attention of the MAS the following:</p> <p>In the books of the custodian, the insurer’s assets should be kept separate from any other assets belonging to, or held on behalf of,</p>

S/N	Respondent	Full Response from Respondent
		<p>the custodian or other clients of the custodian. In the books of any other securities account provider in the custody chain, the insurer's assets should be kept separate from the proprietary assets of the respective securities account holder and of the respective securities account provider.</p> <p>We understand the proposed requirement at 3.2(a) and 3.2(b) are intended to impose certain minimum segregation requirements at the level of a custodian and its appointed sub-custodian. The Committee believes this requirement as formulated should be revised (as we set out further below) so that it can be put into effect in the market while at the same time protecting the insurer's assets.</p> <p>Segregation arrangements should have as their goal avoiding customers' book-entry securities from being treated as the property of any intermediary in the custody chain and being used to meet the claims of creditors of that intermediary. This typically is achieved by each "account provider" in the custody chain keeping records identifying book-entry securities as belonging to each of its customers (each, an "account holder").</p> <p>Therefore, a custodian should be required to ensure segregation between its own assets and those of its insurer client, and should also ensure that it can adequately identify the insurer's assets in its books and records as distinct from its other customers. However, an additional important question is how segregation requirements should extend further up the custody chain so that the insurer's interests in book-entry securities can be identified not only at the level of each customer's immediate proximate custodian but also by other intermediaries (e.g., sub-custodians).</p> <p>Looking at the custody chain from the perspective of a sub-custodian (referred to as "A"), "segregation" arrangements that it makes should be intended to ensure that:</p> <ol style="list-style-type: none"> 1. its customers' book-entry securities will not be treated as the property of "A" and will not be used to meet the claims of creditors of "A"; 2. each of its customers' book-entry securities will not be treated as the property of any other customer and will not be used to meet the claims of creditors of such other customers; and 3. if one of "A's" customers is also an intermediary (referred to as "B"), such as the insurer's custodian, the book-entry securities of "B's" underlying customers (e.g., the insurer and "B's" other

S/N	Respondent	Full Response from Respondent
		<p>customers together) will not be treated as property of “B” and are protected from the creditors of not just of “A” but also of “B”.</p> <p>It is an essential feature of the indirect holding system that “customers” (as the term is used above) are only the direct customers of each intermediary in the chain of custody. In the example above, a customer of “B” is not considered a direct “customer” of Intermediary “A”: “A’s” customer is “B”. This said, to provide adequate protection to “B’s” customer, “A” must recognise that “B” is itself acting as an intermediary (per no. 3 above).</p> <p>A common misperception is that one must “choose” between segregated accounts and “omnibus” accounts, that is, one can have one or the other, but not both. This is not the case. Indeed, segregation and omnibus accounts co-exist – and in fact broadly do co-exist – through the custody chain. We depict this here (please note the insurer’s “segregated” account):</p> <p style="text-align: center;"><i>End-to-End Structure of Holdings</i></p> <p>The diagram illustrates the 'End-to-End Structure of Holdings' across four levels: 1st Level, 2nd Level, 3rd Level, and Issuer. <ul style="list-style-type: none"> 1st Level: Investors (green circles) are connected to a 'Regulated Fund' (green circle) and an 'Investment Fund' (green circle). A 'Segregated account (Insurer)' (yellow circle) is also shown. Below the Investment Fund is a 'Separate Account' (orange circle). 2nd Level: The 'Regulated Fund' and 'Investment Fund' are connected to an 'Intermediary (bank, broker, trustee)' (orange box). This intermediary contains 'Segregated Acct. est'd for Fund' and 'Segregated Acct. est'd for each Client'. The 'Separate Account' is also connected to this intermediary. The 'Segregated account (Insurer)' is connected to a 'Global Custodian/ Depository' (red box). This box contains 'Segregated Acct. est'd for each Regulated Fund', 'Segregated Acct. est'd for each Client', and 'Segregated Acct. est'd for each Bank Intermediary'. An 'Omnibus' account (blue box) is also shown, connected to the Global Custodian/ Depository and the Intermediary. 3rd Level: The 'Global Custodian/ Depository' is connected to a 'Sub-Custodian' (blue box). The Sub-Custodian contains 'Segregated Book-entry securities account' and 'Omnibus' accounts for various clients (e.g., 'Seg'd Acct. est'd for Client', 'Seg'd Acct. est'd for Client'). Issuer: The 'Sub-Custodian' is connected to an '(I)CSD' (blue box), which is then connected to 'Book-entry securities' (blue box). </p> <p>The book-entry securities of an account holder (such as an insurer) always would and should be reflected on the books and records of its account provider (i.e., the custodian, Level 1) as held on a segregated basis from other clients of the account provider as well as from the account provider’s own assets since the account provider’s records are dispositive for establishing the account holder’s legal entitlements to its securities.</p> <p>This account provider (e.g., the insurer’s custodian, Level 1) may have multiple clients of many different kinds: by providing access to rights in the securities for all of its end investors, the custodian</p>

S/N	Respondent	Full Response from Respondent
		<p>in turn acts as an account holder itself (on behalf of each of its end investors). The upper-tier account provider (the sub-custodian, Level 2) would not ordinarily reflect in its own books and records the individual names of underlying account holders (beneficial owners) facing off with the custodian at Level 1. It would instead reflect the name of its own recognised account holder with which it has a direct contractual relationship (referred to as “contractual privity”), which is the custodian (not each of the custodian’s underlying account holders). This is the essence of omnibus account structures.</p> <p>In the Committee’s view, the goal, therefore, should be to ensure segregation of assets of an intermediary (“proprietary assets”) from assets of clients held with the intermediary (“customer assets”) as well as segregation of customer assets from lower-tier intermediaries: these are the most important elements of customer asset protection.</p> <p>While individually segregated accounts throughout the chain of custody may have intuitive appeal, there are significant drawbacks:</p> <ol style="list-style-type: none"> 1. This would come at high cost, especially if extended comprehensively to all customers of custodians. The increased costs would include both one-time upfront costs related to opening and migrating such accounts, as well as additional ongoing costs related to account maintenance and monitoring, reconciliations, reporting and costs related to required additional changes to sub-custody accounts. 2. Such an approach also would not be operationally possible for activities where there are frequent changes of beneficial ownership at the investor level. 3. Applying such an approach across all custody clients would generate significant operational complexities (especially in view of cash settlement practices) and much higher likelihood of error. 4. Finally, in the event of the insolvency of upper-tier intermediary, because an insurer could not independently instruct an upper-tier intermediary (such as a sub-custodian) or a competent official in the insolvency of that intermediary with respect to the book-entry securities: the upper-tier intermediary would only be accountable to the proximate lower-tier intermediary. This is an inherent feature of the above-mentioned “indirect holding system” for cross-border holdings of securities.

S/N	Respondent	Full Response from Respondent
		<p>Omnibus accounts at the same time are more efficient operationally, more cost-effective, less prone to error (because there are fewer opportunities for data errors to arise) and do not detract from customer asset identification. The simplicity of the omnibus account structure in an insolvency situation means that the reduced volume and complexity of reconciliation should facilitate a more expedient return of a client's assets.</p> <p>Our views can be summarised in four key points:</p> <ol style="list-style-type: none"> 1. There should be no debate about whether "segregated" accounts are preferred to "omnibus" accounts. "Segregation" at the account holder/account provider interface is a universally applied practice that is essential to protect investors. The debate is about what kinds of segregation would further protect investors where other intermediaries are utilised one step or more beyond that interface. 2. It is generally accepted that insurers' individual interests in securities must be segregated (ring-fenced) from all intermediaries throughout the custody chain - as well as from the intermediaries' creditors - and that the insurers' interests in securities must be reconcilable between each intermediary in the chain so that their (the insurers') individual interests in the securities are identifiable in their segregated accounts at their account providers. 3. Mandating "further" account segregation of individual insurers' interests in securities further up the chain of custody would not be an effective or useful tool for ensuring asset protection. Instead, if there is concern about the speed or accuracy with which identification of customer interests in securities can be identified, the focus should be on insolvency law and practice as they relate to onward intermediaries in the chain. 4. New segregation requirements risk inconsistency or contradiction with other regimes that either have already operated successfully to protect end investor interests. We believe it is for this reason that IOSCO, in recommending standards for segregation of securities accounts and reconciliation practices, did not recommend that more granular segregation be mandated throughout the chain of custody in its "Standards for the Custody of Collective Investment Schemes' Assets", Final Report, FR25/2015, November, 2015.

S/N	Respondent	Full Response from Respondent
		<p>The Committee therefore recommends that if a custodian establishes an omnibus account with its sub-custodian, the custodian should undertake to ensure that the account is established in a way that designates the account as “customer property” not belonging either to the custodian or the sub-custodian.</p> <p>Lastly, we would like to seek clarification that the insurers’ assets under 3.2 (a) and (b) only refers to custody of securities as these requirements will bring additional complexities if it is applied to other kinds of assets held by the insurer.</p> <p>Question 5. The Committee understands that Central Securities Depositories (“CSDs”) would not be considered “sub-custodians” and therefore would be outside the scope of a prescribed account structure applying to sub-custodians. This is as it should be, given the roles of CSDs as “financial market infrastructure” (“FMI”) subject to relevant IOSCO FMI principles (as implemented by member states). In any case, despite the different role of FMI, the Committee respectfully requests clarification that the proposed requirement to separate the insurer’s assets from the custodian’s other clients’ assets does not apply to accounts maintained at a CSD.</p> <p>We note that different account setups (omnibus versus segregated) exist in markets that insurers invest in globally. In markets such as the United States, it is the practice that omnibus accounts are held with the Central Securities Depository. Thus it will present a challenge for insurers to adhere to provision of 3.2 (b), as a fundamental alteration to custodial structures in the US market will be required. Failing which there will be a barrier for insurers to invest in such omnibus markets.</p> <p>Question 7: Guideline: 3.3a – As loss situations can be complex we strongly recommend MAS to have a discussion with the industry on what this provision “3.3a” can mean. If the MAS thinks it would help, the AGC would gladly convene an informal conference call with member banks and the MAS to discuss the custodian bank viewpoint.</p>
14	The Great Eastern Life Assurance	<p>Question 1: We agree to ensure our custodian bank to be licensed, registered, or authorised to act as custodians in the jurisdiction where the custody</p>

S/N	Respondent	Full Response from Respondent
	Company Limited	<p>account is maintained. However, we would like to check with MAS if the same regulations have been imposed on the custodians. There is practical difficulty to ensure licences for all sub-custodians. We propose to get the contracted custodian bank to give us assurance via written confirmation on their appointed sub-custodians.</p> <p>Question 2: We agree that the current standard could be extended for appointment of overseas custodians.</p> <p>Question 3: We agree with the proposed guidelines stated in para 2.4 a, b & d. For para 2.4c, we would like to seek MAS's clarification on the expectation from the insurer in ensuring the custodian's processes in selecting, monitoring and reviewing its sub-custodian. We would like to seek confirmation if a testament from the custodian bank would be considered as sufficient?</p> <p>Question 4: We do not recommend the proposed mandatory requirement stated in para 3.2 a & b, relating to the title of the custodian account, should be maintained in the name of the insurer licensed in Singapore; and the insurer's assets should be kept separately from any other assets belonging to the custodian, sub-custodian or other clients of the custodian and sub-custodian.</p> <p>The custodian by default will open omnibus account at market level unless it is due to regulatory or tax reasons. The cost and administrative burden for custodian to create and maintain the segregated accounts is significant compared to omnibus structure. In addition, the cost incremental may be transferred to insurer.</p> <p>We agree with the proposed mandatory requirements stated in para 3.2 c, d & e.</p> <p>Question 5: We do not agree with para 3.2 a & b. Firstly, it is not practical to change from omnibus accounts to beneficial owner specific accounts, which would be less efficient. Secondly, cost is a concern as the custodian may require more manpower to maintain the accounts. Incremental cost may be transferred to the insurer in custody terms.</p> <p>Question 7: We agree with the proposed guidelines stated in para 3.3 a & b.</p>

S/N	Respondent	Full Response from Respondent
		<p>Question 8: At the moment we have yet to identify any specific situations where these provisions cannot be included.</p> <p>Question 10: We agree to provide information on the appointed custodian and its sub-custodians under MAS Notice 122.</p> <p>Question 11: We agree with the proposed templates as shown in para 4.2. However, system enhancements may be required from both custodian and insurer.</p> <p>Question 12: Our preferred method is option 2, which would be less cumbersome in reporting the information and hence more efficient in ensuring data accuracy.</p> <p>Question 13: Not applicable to GE.</p> <p>Question 14: We would require a transitional period of at least a year from the date of Notice.</p> <p>Question 15: As stated in Q14, we would need at least a year of preparation.</p>
15	The Toa Reinsurance Company Limited (Singapore Branch)	<p>Question 12: As we currently provide details of individual assets, we would like to opt for Option 2.</p> <p>Question 14: We noted that MAS 122 shall follow the same format of reporting as the proposed MAS 105. However, please confirm that only the annual MAS 122 is submitted at the same timing as MAS 105 (i.e. 3 months after the year-end), while the quarterly MAS 122 (Table 2) is still submitted quarterly (currently 2 months after the quarter-end).</p>
16	Tokio Marine Insurance	<p>Question 3: For custodians/sub-custodians licensed by MAS, we propose to MAS to require the licensee to submit an annual audited statement on the adequacy of internal controls over their custodian role, including</p>

S/N	Respondent	Full Response from Respondent
	Singapore Ltd	<p>their business continuity plan in the event of disruption or cessation of the custodian operations. Insurers can then review these reports to ensure that our interests are well protected.</p> <p>Question 6: In the event that the proposal under question 3 is not agreeable, then MAS should make it mandatory in the custodian agreement for the custodian to provide the reports to the insurers.</p> <p>The agreement should also place the responsibility on the custodian to ensure that its process of selecting sub-custodians is effective and satisfactory throughout the duration of the appointment.</p> <p>Question 12: Option 1 is preferred.</p> <p>Question 13: Not applicable to us.</p> <p>Question 15: No issue with compliance.</p>
17	United Overseas Insurance Ltd	<p>General comments: Given the official status of Central Depository (Pte) Ltd in Singapore, we think that the appointment and use of CDP as custodian should be exempted from all the proposed mandatory requirements and guidelines.</p> <p>We suggest that the appointment and use of local custodians and sub-custodians that are licensed, registered or authorised to act as custodians in Singapore should be exempted from all the proposed mandatory requirements and guidelines. These custodians are regulated by MAS. If need be, MAS can make them licensing conditions for these custodians to put in place proper business continuity plans, adequate internal controls, effective selection process of sub-custodians, keeping separate accounts for assets belonging to different clients etc. If individual insurers are required to monitor their own custodians, even when such custodians are locally licensed, there will be a lot of duplicated effects.</p> <p>Please note that we do not have further comment to the specific questions raised in the consultation paper.</p>

S/N	Respondent	Full Response from Respondent
18	Respondent A	<p>Question 1: The Company already has a pre-screening process at the global level to ensure that any new custodian is licensed, registered, or authorized to act as such.</p> <p>Question 2: Agree for local custodians. In case the direction is to appoint an overseas custodian, we agree added care should be exercised and these guidelines should be applicable as well.</p> <p>However, legally and practically, the appointment and monitoring of sub-custodian should rest primarily with the custodian and not the insurer. Generally, in the selection of sub-custodians, custodians are expected to exercise due care and monitoring.</p> <p>Question 3: Agree with the proposed standards. The Company requests MAS to provide more clarity around the frequency of monitoring. The Company is of the view that an annual monitoring allows insurers to rely on the custodian and sub-custodian's external and internal audit reports/findings. However, financial strength rating can be monitored on an ongoing basis to ensure that any material downgrade is promptly picked up.</p> <p>Question 5: Segregation of assets at the sub-custodian level, is likely to lead to challenges for the custodian without necessarily achieving the full protection expected. This is because assets are already segregated in the custodians' books and further segregating at the sub-custodian level may not lead to faster asset recovery as sub-custodians are subject to their own local jurisdictional laws regarding recovery of assets which will need to be complied with before recovery can proceed. Segregating through the chain of custodians will also add additional costs to insurers such as Monthly Account Maintenance fees. If insurers' accounts are segregated, it is likely that custodians will have increased operational costs due to additional static data management and reconciliations of more accounts. Such costs will ultimately be passed back to the insurers through higher fees.</p> <p>Question 7: We currently have custodian agreements in place. A commonly contested clause is the limitation of liability clause which also limits the custodian's liability in the event of a breach of obligations by the sub-custodian. In the event that the MAS widens the</p>

S/N	Respondent	Full Response from Respondent
		<p>mandatory clause on the extent of the custodian's liability in the event of any loss of assets maintained with the custodian caused by fraud, wilful default or negligence on the part of the custodian, its sub-custodians or its agents, the likelihood is that parties will have to renegotiate the agreement. The custodian may not agree to the widened scope of liability and/or it may also lead to increased costs which are then passed on to the insurer.</p> <p>Question 8: Please refer to the Company's comments on making #1 and #2 in Annex 2, mandatory provisions in custodian agreements at the response to Question 5 above.</p> <p>Question 10: Although this is good to have, the custodian will have to confirm if it is possible for it to provide a list of assets with the owners set out against it and that such a list can be generated for the reporting timelines.</p> <p>Question 11: The Company agrees with the proposed amendments to the submission template.</p> <p>Question 12: The Company prefers Option 1.</p> <p>Question 14: The Company agrees with the implementation timeline to begin submission based on the new template only from 31 December 2017 provided the revisions to MAS 105 are released sufficiently early to allow custodians to enhance their systems to provide the insurer with the required details (e.g., assets held by sub-custodians).</p> <p>Question 15: Yes, it is. It would be sufficient for the transitional period of one year to start running from the date the new notice is in effect.</p>
19	Respondent B	<p>Question 1: Insurers can ensure that the custodians or global custodians they engaged are licensed, registered or authorised to act as custodians in the jurisdiction where the custody account is maintained. However, insurers cannot ensure that the sub-custodians engaged by global custodians are licensed, registered or authorised to act as custodians because insurers do not have direct contact or</p>

S/N	Respondent	Full Response from Respondent
		<p>relationship with the sub-custodians of the global custodians. At best, insurers can include in its custodian agreement that the custodians or global custodians will exercise due skill, care and diligence in the selection, appointment and periodic review of its sub custodians (other than Clearing Systems). Does this requirement apply to CIS?</p> <p>Question 2: No issue with the extension to local custodians.</p> <p>Question 3: No issue with 2.4 (a), (b) and (d). Comments on 2.4(c) - Insurers have no control over custodian/global custodians' outsourcing processes/ selection of its sub custodians. However, insurers may consider including into their custodian agreement the following: a) custodians' / global custodians' due diligence on sub custodians selection b) extending custodians' / global custodians' liabilities to cover its sub custodians; and c) rights to audit the custodians / global custodians in their custodian agreement.</p> <p>Question 4: No issue with 3.2 (d) and (e). Comments on 3.2 (a), (b) and (c) – it is possible up to custodians' / global custodians' level to which the insurers have contractual agreement with, but not with sub-custodians of custodians / global custodians. Custodians/ global custodians have "omnibus account arrangement with sub-custodians in markets where omnibus account arrangement is allowed. In such market environment, the omnibus account is maintained in the name of the custodians/global custodians.</p> <p>Question 5: As commented in Question 4. In situation where markets allow "omnibus account" arrangement, custodians/ global custodians open omnibus accounts with its sub custodians; and in certain markets e.g. Euroclear, only omnibus is allowed.</p> <p>See below the feedback from our global custodian on the topic of "segregation of assets and omnibus account": "The proposal to segregate insurer's assets from other clients' assets is above and beyond the requirements stipulated in the Securities & Futures Act</p>

S/N	Respondent	Full Response from Respondent
		<p>(SFA). In the situation whereby an omnibus account structure is adopted in accordance to market requirements, this is allowed under the current SFA regime as long as there are proper records to identify the customers' interests. The subject requirement will not be practical under such a situation. "</p> <p>Question 7: No issues with the proposed provisions in 3.3.</p> <p>Question 10: No issues with the proposed. However, please advise if sub-custodian information is required to be reported for CIS.</p> <p>Question 11: No issues with proposed amendments in 4.2.</p> <p>Question 12: Prefer Option 2.</p> <p>Question 14: If sub-custodian information is not required for CIS, we are fine to begin the submission based on the revised template from 31 Dec 2017. Otherwise, we require more time.</p> <p>Question 15: One year may not be sufficient. Propose 2 years.</p>
20	Respondent C	<p>Question 1: This poses a challenge because other jurisdictions may not have similar requirement in place. This may in turn limit the investment markets available for insurers. Such requirement will also result in higher costs of compliance and safekeeping.</p> <p>Question 3: It is proposed under paragraph 2.4 that an insurer should ensure that the internal controls of the custodian for safeguarding the insurer's assets are adequate and effective. In addition, an insurer is also required to ensure that the custodian's process on selecting, monitoring, and reviewing its sub-custodian are effective and satisfactory. Would MAS provide guidance on what the minimum requirements and acceptable standards are? Different jurisdictions may have different benchmarks in terms of adequacy and effectiveness. In cases where external engagement is needed to</p>

S/N	Respondent	Full Response from Respondent
		<p>perform the assessment, this will translate to additional compliance and operating costs.</p> <p>Question 5: The segregated fund concept might not be applicable to sub-custodians in other regions.</p> <p>Question 8: The provisions in the agreement between the insurer and the custodian largely depend on whether the custodian is able to obtain the specifics required from their sub-custodians. If the requirements cannot be supported by their overseas counterparts, it is difficult to incorporate the provisions into our local agreement.</p> <p>Question 10: Do we need to report the sub-custodian if main custodian and sub-custodian is under same group? E.g. Standard Chartered Bank (custodian) and Standard chartered (Vietnam) Limited (sub – custodian). Does it mean that Table 7 under MAS 122 will be replaced or would a new table be added in MAS 122?</p> <p>Question 11: The information on sub-custodian might not be available to the level of detail as required. The custodian might only have information on level 1 sub-custodian and not the ultimate sub-custodian.</p> <p>Question 12: Option 2 is our preferred method.</p> <p>Question 14: System enhancement is required for provision of detailed information i.e. split the information to ultimate custodian. The implementation timeline is very tight.</p> <p>Question 15: If all mandatory requirements proposed are implemented, the transitional period of one year is very short as (i) existing agreements need to be reviewed, re-negotiated and varied to include the additional provisions; and (ii) system enhancement will be needed to capture all the information required for reporting.</p>
21	Respondent D	Question 1:

S/N	Respondent	Full Response from Respondent
		<p>We are generally supportive of the mandatory requirement for insurers to ensure that all their custodians and sub-custodians are licensed, registered, or authorised to act as custodians in the jurisdiction where the custody account is maintained.</p> <p>From an asset recovery perspective, we respectfully ask your Authority to consider an additional requirement for insurers to place Singapore domiciled assets only with local custodians. An insurer may place Singapore domiciled assets with an overseas custodian where no local custodian is available. During times of market stress, such a requirement will likely offer greater protection to customers' assets as it avoids the challenges associated with cross-border asset recovery.</p> <p>Question 2: We are generally supportive of the proposal to extend the current standard for insurers' appointment of overseas custodians to the appointment of local custodians. We respectfully submit that the investment grade rating requirement should apply only to the main custodian and third party sub-custodians, but not sub-custodians in the same group as the main custodian where a group rating is available.</p> <p>Question 3: We are generally supportive of the guidelines for insurers' appointment and ongoing monitoring of custodians and sub-custodians detailed in paragraph 2.4. We seek your Authority's clarification as to whether the guidelines detailed in limbs (a) and (b) of paragraph 2.4 apply to sub-custodians and, if so, we respectfully ask your Authority to further consider if the guidelines detailed in limbs (a), (b) and (c) of paragraph 2.4 could be applied to only third party sub-custodians appointed by the custodian but not sub-custodians who are in the same group as the custodian; the latter group being considerably less risky by comparison since the insurer would typically have some form of recourse through the custodian when sub-custodians in the same group fail to satisfy any obligation under the custody agreement.</p> <p>Question 4: We are generally supportive of the proposed mandatory provisions that insurers must include in their custodian agreements and have the following specific comments: - In relation to limb (c) of paragraph 3.2, we respectfully submit that the custodian or sub-custodian should also be allowed</p>

S/N	Respondent	Full Response from Respondent
		<p>to take a charge, mortgage, lien or other encumbrance over, or in relation to, assets of the insurer in respect of any charges as agreed upon in the terms and conditions relating to the administration or custody of the assets, to be consistent with Regulation 32(c) of the Securities and Futures (Licensing and Conduct of Business) Regulations.</p> <ul style="list-style-type: none"> - In relation to limb (d) of paragraph 3.2, we respectfully submit that the issue of the custodian's liability in the event of any loss of assets should be left alone as a matter of commercial agreement between the insurer and the custodian. From our experience, custody contracts do not necessarily employ the concepts of "fraud, wilful default or negligence" when describing the scope of the custodian's liability. For instance, a custodian may be held liable if it has failed to exercise due skill, care and diligence of a professional custodian in the same jurisdiction, without the involvement any fraud, wilful default or negligence. - In relation to limb (e) of paragraph 3.2, we seek your Authority's clarification as to scope of "material or systemic breach", a precise definition of which would allow custodians to better operationalise this obligation. <p>Question 12: We respectfully submit a third option for your Authority's consideration, that is for insurers to report aggregated information by market held with each custodian. Under this proposed option 3, insurers are still expected to maintain the list of custodian and sub-custodian information for each individual asset as mentioned in paragraph 2.4(d).</p> <p>Question 15: We are of the view that the transitional period of one year is necessary and sufficient.</p>

