Monetary Authority of Singapore

OBJECTIVES AND SCOPE

March 2013

1 These guidelines aim to provide financial institutions supervised by MAS with guidance on sound risk management practices. They cover credit, market, liquidity, operational, technology and insurance business-related risks, internal controls and the role of an institution's Board of Directors (Board) and senior management.

2 The guidelines call attention to four cornerstones of effective risk management and sound internal controls. These are:

(a) the role of the Board in its oversight of risk management policies and their implementation;

(b) the role of senior management in ensuring that sound policies, effective procedures and robust systems are in place;

(c) the presence of sound risk management processes and operating procedures that integrate prudent risk limits with appropriate risk measurement, monitoring and reporting; and

(d) the presence of competent personnel in the risk management, control and audit functions.

3 The practices articulated in these guidelines are not intended to be exhaustive. Relevant regulatory requirements and other applicable industry standards should also be taken into account where appropriate.

4 These guidelines are also not intended to prescribe a uniform set of risk management requirements for all institutions. The sophistication of processes, systems and internal controls for risk management is expected to vary according to the nature, size and complexity of the business activities of an institution. Nevertheless, these guidelines should have broad applicability as there is a high degree of commonality in the risk management challenges faced by financial institutions operating in an environment of global interdependencies.

5 It is important to note that while these guidelines are organised by risk type, the various risk types, as well as the risks arising from lapses of internal controls, are often inter-related. Different risk types can be manifested concurrently. Such a confluence of risks is particularly pronounced in stress situations and systemic events. An institution should therefore consider the potential inter-linkages of risk types in its risk

management approach and have an integrated “enterprise-wide” perspective of its risk exposures, encompassing the individual business lines, business units, and where applicable, across and within the group of which the institution is a member.

6 Financial institutions should establish a comprehensive risk management framework and adopt the sound practices recommended in these guidelines. Through its supervisory process, MAS will continue to assess the adequacy of financial institutions' risk management systems and controls, and the extent to which they have adopted these guidelines. These guidelines will be reviewed on a periodic basis to ensure their relevance.