

**ABS GUIDELINES
ON
CONTROL OBJECTIVES & PROCEDURES
FOR OUTSOURCED SERVICE PROVIDERS**

FREQUENTLY ASKED QUESTIONS

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SECTION 1: GENERAL INFORMATION

1. What is ABS Guidelines v2.0?

The Association of Banks in Singapore ("ABS") released the Guidelines on Control Objectives and Procedures for Outsourced Service Providers' ("Guidelines") v1.1 in June 2017.

Since then, The Monetary Authority of Singapore ("MAS") has updated and released the following requirements:

- a) MAS Notice FSM-N06 Cyber Hygiene for Banks (link [here](#)) and MAS Notice FSM-N12 Cyber Hygiene for Merchant Banks (link [here](#))
- b) MAS Notice FSM-N05 Technology Risk Management for Banks (link [here](#)) and MAS Notice FSM-N11 Technology Risk Management for Merchant Banks (link [here](#))
- c) MAS Technology Risk Management ("TRM") Guidelines (link [here](#))
- d) MAS/TCRS/2021/03: Advisory on Addressing the Technology and Cyber Security Risks Associated with Public Cloud Adoption (link [here](#))
- e) MAS Guidelines on Business Continuity Management (link [here](#))
- f) MAS Notice 658 on Management of Outsourced Relevant Services for Banks (link [here](#)) and MAS Notice 1121 Management of Outsourced Relevant Services for Merchant Banks (link [here](#))
- g) MAS Guidelines on Outsourcing (Banks) (link [here](#))

The regulatory requirements considered in the development of ABS Guidelines v2.0 are based on those in effect at the time of its publication. Accordingly, the ABS Guidelines v1.1 were revised and updated to ABS Guidelines v2.0, incorporating key elements and minimum control requirements from the relevant regulations. An Outsourced Service Provider Audit Report ("OSPAR") is a third-party assurance report issued by the authorised service auditor based on the review conducted in accordance with the ABS Guidelines.

2. What are the differences between ABS Guidelines v1.1 and ABS Guidelines v2.0?

ABS Guidelines v2.0 includes the revision and/or addition of criteria within current domains of ABS Guidelines v1.1, and the introduction of new domains to incorporate updates in regulatory requirements as outlined in Q1.

Three new domains under General IT Controls are added as below:

- a) Data security
- b) Cryptography
- c) Software application development and management

One new domain under Service Level Control is added as below:

- d) Business continuity management

3. Are the ABS Guidelines and the process supported by MAS?

MAS expects FIs and their engaged OSPs to comply with the relevant MAS regulations. The ABS Guidelines closely follow the requirements from MAS. MAS accepts pooled audits to fulfil the FIs' requirement of 'independent audit'.

4. When do the Outsourced Service Providers (“OSP”) need to adhere with the revised ABS Guidelines v2.0?

All Outsourced Service Provider's Audit Reports ("OSPARs") with the audit period commencing on or after 1 January 2025 should be issued in line with ABS Guidelines v2.0.

5. Will there be cost increases for adhering with the revised ABS Guidelines v2.0?

Due to the increased number of control criteria from ABS Guidelines v1.1 to ABS Guidelines v2.0, there is likely to be an increase in efforts (depending on the services offered by OSPs) when adhering to ABS Guidelines v2.0. OSPs are to discuss the pricing strategy with their respective audit firms.

Undertaking an OSPAR by the OSP, does not diminish the obligations of the FI to comply with relevant laws and regulations in Singapore. It is important that the FI adopts a sound and responsive risk management framework for its outsourcing arrangements.

While outsourcing arrangements can bring cost and other benefits, it may increase the risk profile of the FI due to, for example, reputation, compliance and operational risks arising from failure of a service provider in providing the service, breaches in security, or the OSP's inability to comply with legal and regulatory requirements.

6. How would ABS or the Financial Institutions (“FI”) know that the OSP has completed the OSPAR?

Within 2 business days upon release of the OSPAR report, (i) the auditor of OSP is required to inform ABS to publish and update the information in the "List of OSPAR Audited Outsourced Service Providers" and "ABS OSP Registry (for ABS Members Only)" on the ABS website; and (ii) OSPs are required to inform their FI clients that their OSPAR is completed and confirmation of communication to the FI clients relating to the OSPAR completion shall be provided to the respective auditor.

The registries are updated every week. Should there be an OSPAR with negative opinions (i.e., qualified opinion; adverse opinion; or disclaimer of opinion), ABS will alert the Outsourcing Advisory Committee (OAC) in addition to updating such outcome in the ABS OSP Registry (for ABS Members Only). For remediation steps with relation to audit opinions, refer to Q13.

SECTION 2: OBJECTIVE AND BENEFITS OF THE ABS GUIDELINES

7. What is the objective and benefits of the ABS Guidelines?

The ABS Guidelines aim to standardise compliance expectations for OSPs serving FIs, thereby reducing compliance costs by minimising the number of required audits.

OSP's typically service more than one FI. As a result, they would be subjected to service control audits from several FIs. Adherence to the ABS Guidelines will:

- a) Provide a comprehensive framework derived from relevant MAS regulations that OSPs must adhere with.
- b) Demonstrate that the OSPs has proper controls in place and assure the OSPs' FI clients that it adheres to a minimum standard of controls and procedures as expected by the financial industry.
- c) Reduce the number of service control audits conducted by the FIs on OSPs, thereby achieving cost savings and enhancing time efficiencies in compliance efforts. This would benefit the financial industry as a whole.
- d) Differentiate OSPs that adhere with the ABS Guidelines from those that do not.

8. How do FIs' customers benefit from the ABS Guidelines?

FIs are ultimately responsible for the services that they provide to their customers, even though these services may have been outsourced. The ABS Guidelines enable adherence to minimum baseline control objectives for OSPs, which would ultimately benefit the FIs' customers, by providing them assurance on the integrity and effectiveness of the OSPs' internal controls and safeguarding the interests of FIs' customers.

Referencing to section 3.9.8 of the MAS Guidelines on Outsourcing (Banks), it is stated that audits and/or expert assessments performed as part of a certification process (but not self-attestations) may be relied on to meet requirements or expectations on audit provided that such audit or assessments are performed by independent and competent auditors. Banks (i.e., FIs) may also rely on pooled audits or third-party certification¹ (of their service providers) performed by independent parties.

¹ To avoid doubt, MAS would not consider certifications which do not involve an audit by independent assessors to be sufficient to be relied on for meeting the audit requirement in the Notices.

SECTION 3: SCOPE OF COVERAGE OF THE ABS GUIDELINES

9. What are the types of OSPs to which the ABS Guidelines apply to?

The ABS Guidelines should apply to:

- a) OSPs which undertake material ongoing outsourced relevant service with FIs in Singapore
- b) OSPs' service providers (i.e., FIs' sub-contractors) that are deemed as material by the FIs. OSPAR from the OSP can cover the services provided by the OSP and their sub-contractor(s), subject to agreement between the OSP and sub-contractor(s). In cases where sub-contractor(s) have been scoped out of the OSPAR, the sub-contractor(s) may opt for OSPAR for the services that it offers.

Whilst the ABS guidelines apply to the above-mentioned categories, this does not limit other OSPs* that provide services to FIs in Singapore to adopt the ABS Guidelines. FIs and OSPs are to determine whether an OSP is required to comply with the ABS Guidelines.

**The above ABS Guidelines are not mandatory for OSPs which are FIs and regulated by MAS.*

10. What services fall under the category of material ongoing outsourced relevant service?

FIs shall determine if an OSP service would be classified as a material ongoing outsourced relevant service ("MOORS") based on the definition of MOORS set-forth by MAS.

As per the definition within MAS Notice 658 and MAS Notice 1121:

"material ongoing outsourced relevant service" means any ongoing outsourced relevant service where the bank in Singapore has reasonable grounds to believe that –

- a) any unauthorised disclosure of, access to, collection of, copying of, modification of, use of, disposal of or acts with similar risks done in relation to, any information, held by the service provider or sub-contractor, as the case may be;
- b) any unauthorised access to the books, systems or premises of the service provider or sub-contractor, as the case may be; or
- c) a failure by the service provider to provide the relevant service in accordance with the outsourcing agreement,

will materially affect adversely or is likely to materially affect adversely –

- (i) any of the business of the bank referred to in section 30(1) of the Act;
- (ii) the customers or any group of customers, financial soundness or reputation of the bank;
- (iii) the ability of the bank to manage its risks (including legal, reputational, technological and operational risks) arising from the relevant service; or
- (iv) the ability of the bank to comply with all laws and regulatory requirements that apply to the bank, whether in Singapore or elsewhere.

SECTION 4: IMPLEMENTATION GUIDELINES

FOR OSPs HAVING EXISTING OUTSOURCING ARRANGEMENTS WITH FI's

11. When should the OSPs adhere with the ABS Guidelines v2.0?

OSPs should demonstrate adherence with the ABS Guidelines upon their engagement with the FIs for service provisioning. An early adoption is encouraged.

12. How often should the OSPs undergo the OSPAR review?

OSPs should undergo OSPAR review annually. Any frequency that deviates from annual shall be subject to discussion between the OSP, appointed service auditor and FIs. For new OSPs being onboarded by FIs, they should consider undergoing the OSPAR audit upon completion of at least 6 months of engagement with the FI.

13. What steps should an OSP take to adhere with the ABS Guidelines?

The following are the recommended steps for OSPs to prepare and deliver their OSPARs:

Step 1

- a) Perform a self-assessment or a gap analysis against the ABS Guidelines.
- b) Ensure that the required controls are put in place to mitigate any gaps identified in the self-assessment or gap analysis.
- c) Appoint and engage auditor(s).
- d) Discuss the audit plan with FI clients, where appropriate.

Step 2

- a) Ensure at least 6 months (for the first year) or 12 months (for subsequent years) of steady state operation of controls for the OSPAR audit.
- b) Complete the audit process with their appointed auditor.

Step 3

- a) Receive the final OSPAR from the appointed auditor and inform their FI clients that their OSPAR is completed within 2 business days upon receipt of the OSPAR report, and such evidence of communication shall be provided to the respective auditor.
- b) If any gaps are identified in the OSPAR, document the remediation plan with appropriate timelines.
- c) Support FI clients in their assessment on the severity of the gaps and discuss the remediation plan and timelines with them.

14. Will FIs still reach out to OSPs for direct audit even though the OSP has undergone / is undergoing OSPAR?

Yes, FIs may still reach out to OSPs for direct audit. This is because additional audits may be required due to contractual obligations or internal / regulatory requirements.

FIs are encouraged to review their scope of due diligence and audit requirements with the coverage of OSPAR to minimise duplication when performing direct audits on the OSP.

SECTION 5: IMPLEMENTATION METHOD/PROCESSES

A. AUDIT PROCESS

- 15. If an OSP services only a handful of FI clients and it is commercially non-viable for the OSP to engage an external auditor to perform the service control audit, can the OSP choose to be directly audited by its FI clients?**

OSPs are required and expected by the financial industry to be audited by an external independent party. Should the OSP choose to not undertake OSPAR, they will be audited directly by their FI clients.

- 16. Are the ABS Guidelines a legal document?**

No, it is not a legal document. Nevertheless, it is the requirement and expectation from the financial industry that all OSPs adhere with the minimum/baseline control standards stated in the ABS Guidelines.

B. AUDIT SCOPE

- 17. If an OSP has specific/ different requirements with individual FI clients, should the OSP include all the requirements into its audit scope?**

The OSPAR should cover all the homogeneous requirement provided by the OSP to all their FI clients. If there are FI clients with additional/ customised requirements, the OSP should discuss with their appointed auditor to cover it as a separate inclusion either within the same OSPAR or a separate OSPAR.

- 18. Are sub-contractors (i.e., FIs who has engaged OSPs that further sub-contracts) also subjected to the ABS Guidelines?**

Yes, referring to Q9 FIs' sub-contractors that are deemed as material are also subjected to the ABS Guidelines and the OSPAR requirements.

Whenever an OSP outsources the service arrangements provided to the FIs (in part or whole) to a sub-contractor, the OSP is responsible to inform its sub-contractor that they need to adhere with the ABS Guidelines and, if required, discuss/make arrangements for the audit on the sub-contractor.

OSPs should obtain prior approval from their FI clients before they sub-contract any part of the FI's outsourcing arrangement with the OSP.

19. An OSP is expected to engage an external auditor, and therefore do its sub-contractors need to engage an external auditor too?

The OSPAR from the OSP can cover the FIs' arrangements that are performed by the OSP and their subcontractor(s), subject to agreement between the OSP and sub-contractor(s). However, in some cases where sub-contractor(s) have been scoped out of the OSPAR, the sub-contractor(s) may opt for OSPAR for services that it offers.

20. If an OSP has many layers of sub-contractors, how many layers of the sub-contractors need to be audited?

The OSPAR must take into consideration all OSPs' service providers (i.e., FIs' sub-contractors) that are deemed as material.

21. Outsourcing covers a wide range of services. Do OSPs need to adhere with all the controls stated in the ABS Guidelines?

The types of controls the OSPs need to adhere with depends on the scope and nature of services performed. The Entity Level Controls and the Service Level Controls of the ABS Guidelines are likely applicable to all types of services performed, whereas the General IT Controls could be applicable to OSPs where the outsourced service involves the provision of IT capabilities/ services by the OSP.

However, if any specific control is not applicable for an OSP due to the nature of the service, then the OSP can specify as such within the OSPAR with adequate supporting rationale that is agreed with its auditor.

C. AUDIT COSTS

22. Will complying with the ABS Guidelines increase operating costs for the OSPs?

While some initial investment may be required for some OSPs to align with the ABS Guidelines, compliance with it is expected to result into savings due to audit efficiencies by reducing the audit and due diligence requirements from its FIs. It will also enhance operational resilience, which might help avoid costly disruptions, penalties and reputational damage.

23. What is the difference in audit cost for SMEs and large companies like the MNCs?

Generally, the cost of the audit depends on its scope. Each audit firm has a different pricing model; it is best for OSPs to approach the audits firms to discuss their audit pricing.

Generally, the audit cost is determined by:

- a. Number of sub-contractors
- b. Number of specific/additional service requirements
- c. Complexity of the OSPs' processes
- d. Number of IT systems involved

D. AUDITORS TO ENGAGE

24. Who can the OSP appoint to perform the OSPAR?

The OSP should appoint an external auditor to perform its service control audit. The auditor should demonstrate a sound understanding of outsourcing risks pertinent to the financial industry by meeting the ABS Guidelines criteria:

- a. The audit firm must have audited at least two (2) commercial banks operating in Singapore in the last five (5) years;
- b. The audit firm signing off the OSPAR report shall be a Singapore-based audit firm. A Singapore-based audit firm shall have partners who are public accountants and members of Institute of Singapore Chartered Accountants ("ISCA") who comply with the provisions of the ACRA code relating to assurance engagements. For this purpose, a public accountant is a person who is registered or deemed to be registered in accordance with the Accountants Act 2004 as a public accountant; and
- c. The signing partner of the OSPAR must have audited at least two (2) commercial banks operating in Singapore in the last five (5) years.

OSP's may discuss/review the credibility of the engagement partner directly with the audit firm that they are engaging.

The audit firm that meets above criteria are stated at "*List of Qualified Auditors*" on the ABS Website .
<https://www.abs.org.sg/industry-guidelines/compliance-and-risk-management/outsourcing>

25. How can an auditor firm be on the ABS qualified list of auditors?

An audit firm that meets the above criteria listed in Q24 should write to ABS at outsourcing@abs.org.sg with their detailed CV and relevant experience of their auditors. The ABS Outsourcing Advisory Committee will review the auditors' details and advise accordingly.

E. AUDIT FRAMEWORK

26. What are the audit standards to be applied to the OSPAR?

The audit standard to be applied for the OSPAR is either ISAE3000 or SSAE3000.

It is important that the OSPAR delivered by the audit firms is in line with the OSPAR template published on the ABS website. The signing partner of the OSPAR needs to meet the audit standard requirements as stated in Q24.

27. Can the auditors use the ISO 27000 framework to perform the OSPAR?

No, please see the answer to Q26.

28. If an OSP is already certified with other industry standards such as ISO27000 or ISO 31000 or already has an ISAE3402 or SSAE18 report, is the OSP still required to audit itself against the ABS Guidelines?

Yes, the OSP is still expected to engage an external auditor to perform the audit against the ABS Guidelines.

ISO27000 and ISO31000 are certifications whereas the OSPAR reporting framework is based on the International Standards on Assurance Engagement (ISAE) 3000 for Assurance Engagements or Singapore Standards on Assurance Engagements (SSAE) 3000 for Assurance Engagements which is used to provide an "opinion" and "reasonable assurance" that the service organisation meets the criteria set out in the ABS guidelines.

Amongst other things, the ISAE3000 / SSAE3000 standard prescribes the conduct of the assurance engagement, sufficiency of evidence obtained and reporting format that the "practitioner" needs to adhere to for such an engagement.

F. AUDIT REPORTS

29. How long is the OSPAR valid for?

The OSPAR is valid for 12 months from the date of report issuance, or until the issuance of the next OSPAR, whichever is earlier. OSPs whose OSPAR is not renewed timely will be removed from the "List of OSPAR Audited Outsourced Service Providers" and "ABS OSP Registry (for ABS Members Only)".

30. What happens if a FI assesses that the OSP's OSPAR is insufficient to meet their audit requirements?

If a FI determines that an OSP's OSPAR is insufficient, the FI can request for additional information from the OSP, including conducting site visits and additional service control audits, to satisfy itself on the OSP's controls.

31. Will FIs and/or the regulator still visit OSPs, or request for additional audits on OSPs?

FIs and the regulators may still visit OSPs, or request for additional service control audits to satisfy any regulatory and due-diligence requirements.

Please contact ABS at outsourcing@abs.org.sg for more information.