



Circular No. 1 of 2020

Date: 27th January, 2020

Policy decision in relation to Outsourcing of Compliance Function

This Circular is being issued to all licensees under the Securities Act, 2007 and the Mutual Fund and Hedge Fund Act, 2008.

Taking into consideration that compliance is a core function of a licensee's operation and as an initiative to promote the growth of the Capital Markets and Collective Investment Scheme's sectors, the Authority is publishing its "Code on Outsourcing of Compliance Function" to be adhered to by the relevant licensees when outsourcing their compliance function to third parties. Currently, the Financial Services Authority Act, 2013 permits the outsourcing of compliance function only to individuals.

In view of the proposal to allow outsourcing of the compliance function and to further legal advice received, please note that the Authority is not in a position to proceed with the concept of "Trainee Compliance Officer" as the basis for such concept is outweighed with the "Code on Outsourcing of Compliance Function".

Therefore, licence applications which have been approved in principle (but not yet licensed) and newly licensed by the Authority to appoint a "Trainee Compliance Officer" must appoint a Compliance Officer (either through full-time employment or outsourcing) to perform the compliance function by **1st July, 2020**.

However, if an existing licensee is able to demonstrate that its "Trainee Compliance Officer" is on the verge of completing all requirements to be a Compliance Officer (i.e. 3 months remaining to complete the Diploma in either CISI or ICA) the Authority may, in such circumstance, allow the licensee to continue with the "Trainee Compliance Officer" under strict supervision.

Financial Services Authority