



8 August 2002

[To the Directors of the Companies]

Dear Sir

MIGRATION OF LICENCES UNDER THE SECURITIES INDUSTRY ACT (“SIA”) AND FUTURES TRADING ACT (“FTA”) TO THE SECURITIES AND FUTURES ACT (ACT 42 OF 2001) [“SFA”]

In this letter, we inform you of the following :

- the current status of the SFA;
- how your company will be migrated to the SFA upon its commencement;
- how your company may conduct business under the Financial Advisers Act (Act 43 of 2001)[“FAA”]; and
- how you can keep informed about developments with the new legislation on an ongoing basis.

2 We hope that the information provided in this letter will assist your company in making a smooth transition to the new SFA and FAA regime.

Current Status of SFA

3 The SFA was passed by Parliament in October 2001. Since then, MAS has been implementing the new legislation in phases. The first phase included Part VIII on Take-over Offers, and certain provisions in Part XV, which came into operation on 1 January 2002. The second phase came into operation on 1 July 2002, and included Part XIII which brings together the provisions on offers of shares, debentures and CIS previously contained in the Companies Act. The remaining Part II (Markets), Part III (Clearing Facilities), Part IV (Capital Markets Services Licence and Representative’s Licence), Part V (Books, Customer Assets and Audit), Part VI (Conduct of Business), Part VII (Disclosure of Interests), Part XI (Investor Compensation Scheme), Part XII (Market Conduct), Part XIV (Appeals) and sections 314 and 342(1) and (3), along

with the regulations/subsidiary instruments, will be implemented by the third quarter of this year.

Securities and Futures (Capital Markets Services Licence and Representative's Licence) (Transitional and Savings Provisions) Regulations 2002 ["SF (T&S) Regs"]

4 The above regulations have been introduced to formalise the arrangement for the migration of the licences under the SIA and FTA to the SFA. These regulations would come into effect on **8 August 2002**. A copy of the regulations is available on our website at www.mas.gov.sg under 'Statutes, Regulation and Notices' => 'Securities and Futures Act, Financial Advisers Act' => 'Securities and Futures Act'=> 'Part XV Miscellaneous'.

Migration of Licences

5 When Part IV of the SFA comes into operation, the SIA and FTA will be repealed. As provided in the SF (T&S) Regs, with effect from the date Part IV of the SFA comes into force, your company will be deemed to hold a Capital Markets Services ("CMS") licence in respect of the regulated activities your company has been conducting. In addition, the licensed representatives who carry out the regulated activities for your company will be deemed to hold a representative's licence under the SFA in respect of those regulated activities. These licences are referred to in the SF (T&S) Regs as deemed licences.

Expiry Date and Renewal of Deemed Licences

6 The expiry dates of the deemed licences of your company and its representatives will be based on the expiry dates of the current licences which your company and representatives hold under the SIA and FTA. If your company and its representatives hold 2 or more licences under the SIA/FTA, your company's licences and the representatives' licences will respectively be converted to a single licence under the SFA, in respect of the activities covered under their existing licences. The expiry date of that single licence will be based on the latest (and not the earliest) of the expiry dates of the existing licences of your company and the representatives, respectively.

7 As provided in Section 84 of the SFA, any application for renewal of a licence under the SFA shall be made to MAS not later than one month before the expiry date of the licence. Should your company and its representatives decide to renew their deemed licences, they should submit the renewal applications at least one month before the expiry dates of the deemed licences.

8 However, to cater for those deemed licences which will expire shortly after Part IV of the SFA takes effect, we have made special provisions in the SF (T&S) Regs to allow for a grace period for the submission of applications to renew such deemed licences. Under these provisions, if the deemed licences of the companies and their representatives expire in the same month as the effective date of Part IV of the SFA, the companies and representatives may submit their renewal applications within two months after the expiry dates of their deemed licences. Where the deemed licences expire in the month immediately following the month of the effective date of Part IV of the SFA, the renewal applications may be submitted within one month after the expiry date of the deemed licences.

9 Where relevant, your company should ensure that the renewal applications are made within the grace period given, failing which the deemed licences would lapse, and your company and its representatives would not be permitted to conduct any regulated activities under the SFA after the expiry of the grace period.

Outstanding Applications

10 Any applications for new licences under the SIA or FTA which are outstanding at the time when Part IV of the SFA comes into effect will be treated as an outstanding licence application for the relevant regulated activities under the SFA. These applicants would be subject to the new licence fees under the SFA, and we will refund any fees paid in respect of the licence applications under the SIA or FTA.

Financial Advisers Act (Act 43 of 2001) ["FAA"]

11 The FAA was passed by Parliament in October 2001 and will be implemented by the third quarter of this year. Under the FAA, your company, as a holder of a CMS licence under the SFA, may provide financial advisory services without the need to hold a licence under the FAA. In relation to such financial advisory services, your company will be regarded as an exempt financial adviser under the FAA and will be required to lodge a "Notice of commencement of business of exempt financial adviser" in the prescribed form, within 14 days of the implementation of the FAA. The prescribed form will be included in the regulations to be issued under the FAA.

Further Developments

12 To keep market participants informed of developments, MAS have been posting relevant information on our website at www.mas.gov.sg. You are encouraged to visit our website regularly. You should refer to the various legislative instruments relating to the SFA to understand how the new legislation will affect your company and its operations, so as to prepare for the transition. These documents are already available on our website. We will also be inviting you to attend a briefing-and-dialogue session on the SFA and the subsidiary instruments when the subsidiary instruments are finalised. The details will be made known to you in due course.

13 To help your company prepare for the migration to the new regulatory regime under the SFA and for conducting business under the FAA, we have provided additional information at the Appendices, as follows:

- Appendix 1: Types of activities that can be undertaken under your company's deemed licence;
- Appendix 2: Contact persons in MAS with whom you may raise enquiries; and
- Appendix 3: Frequently Asked Questions on the transitional issues that your company may face;

14 In the meantime, we urge your company to brief its representatives on the transitional issues that may affect them. In addition, to keep up-to-date our records of the representatives to be migrated to the SFA, we would like you to confirm to the Authority the representatives who would be acting for your company and the type of regulated activity that would be conducted by each representative, if such information has not already been provided to us. Please let us have this information by **23 Aug 2002**.

15 We are keen to assist you make a smooth transition to the SFA. Should you have any queries on the new regulatory regime, please do not hesitate to contact the relevant officers listed in Appendix 2.

Yours faithfully

SHANE TREGILLIS
ASSISTANT MANAGING DIRECTOR
SECURITIES & FUTURES DEPARTMENT

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