



Monetary Authority of Singapore

SECURITIES AND FUTURES ACT (CAP. 289)

GUIDELINES ON CRITERIA FOR THE GRANT OF A CAPITAL MARKETS SERVICES LICENCE AND REPRESENTATIVE'S LICENCE

Guideline No : SFA 04-G01

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GUIDELINES ON CRITERIA FOR THE GRANT OF A CAPITAL MARKETS SERVICES LICENCE AND REPRESENTATIVE'S LICENCE

1 PURPOSE

1.1 These Guidelines are issued pursuant to section 321 of the Securities and Futures Act (Cap. 289) ["SFA"].

1.2 The Guidelines set out the minimum licensing requirements under the SFA and the minimum licensing admission criteria for persons applying for a Capital Markets Services ["CMS"] licence or a representative's licence.

[Amended on 22 March 2006]

1.3 These Guidelines should be read in conjunction with the provisions of the SFA, the Securities and Futures (Licensing and Conduct of Business) Regulations (Rg 10) and the Securities and Futures (Financial and Margin Requirements for Holders of Capital Markets Services Licences) Regulations (Rg13).

2 WHO NEEDS TO HOLD A CMS LICENCE

2.1 A corporation that carries on a business in any regulated activity in Singapore would need to hold a CMS licence under the SFA. Individuals who are employed by or acting for the corporation to carry out the regulated activity [other than sub-paragraphs (g) and (h) below] are required to hold a representative's licence under the SFA.

[Amended on 22 March 2006]

2.2 The regulated activities are specified in the Second Schedule to the SFA as follows:

- a) Dealing in securities;
- b) Trading in futures contracts;
- c) Leveraged foreign exchange trading;
- d) Advising on corporate finance;
- e) Fund management;
- f) Real estate investment trust management;
- g) Securities financing;
- h) Providing custodial services for securities.

[Amended on 1 August 2008]

2.3 The definitions of the regulated activities are provided in the Second Schedule to the SFA.

3 CRITERIA FOR GRANT OF A CMS LICENCE

General Criteria

3.1 A CMS licence will only be granted to a corporation¹.

[Amended on 1 August 2008]

3.2 The applicant is a reputable entity that has an established track record in the proposed activity to be conducted in Singapore or in a related field, for at least the past 5 years.

3.3 The applicant and its holding company or related corporation, where applicable, has good ranking in its home country.

[Amended on 1 August 2008]

3.4 Where applicable, the applicant is subject to proper supervision by its home regulatory authority.

[Amended on 1 August 2008]

¹ For applicants that are incorporated in a foreign country, they should satisfy MAS that the branch in Singapore would be subject to proper management oversight and be able to comply with all laws and regulations governing its operations.

3.5 The applicant satisfies the Monetary Authority of Singapore ["MAS"] that it will discharge its duties efficiently, honestly and fairly.

3.6 The applicant establishes and operates out of a physical office in Singapore.

[Amended on 22 March 2006]

3.7 The applicant is primarily engaged in the business of conducting any one of the regulated activities specified in the Second Schedule to the SFA.

[Amended on 1 August 2008]

3.8 The applicant, its officers, employees and substantial shareholders are fit and proper, in accordance with the criteria set out in the Guidelines on Fit and Proper Criteria² issued by MAS.

[Amended on 22 March 2006]

Criteria in respect of the Board of Directors, Chief Executive Officer and Representatives of the Applicant

3.9 The board of directors and senior management of the applicant should uphold good corporate governance standards and practices.

[Amended on 14 May 2010]

3.10 The applicant's board of directors should comprise a minimum of 2 members, at least one of whom is resident in Singapore.

[Amended on 1 August 2008]

3.11 The chief executive officer³ of the applicant is resident in Singapore.

[Amended on 1 August 2008]

3.12 The applicant should obtain the approval of MAS prior to appointing a person as its chief executive officer, its director who

² Guideline No. FSG-G01 issued in September 2007.

³ As defined in section 2(1) of the SFA. The duties of the chief executive officer and directors are spelt out in regulation 13 of the Securities and Futures (Licensing and Business Conduct) Regulations.

resides or is to reside in Singapore, or its director who is directly responsible for its business in Singapore.

[Amended on 1 August 2008]

3.13 The applicant should notify MAS when any of its directors who were previously not directly responsible for the business of the applicant in Singapore (or any part thereof) becomes directly responsible for the business of the applicant in Singapore (or any part thereof) or otherwise assuming any form of employment with the applicant or vice versa.

[Amended on 1 August 2008]

3.14 The applicant should inform MAS of any person ceasing to hold office as its chief executive officer or director.

[Amended on 1 August 2008]

3.15 The applicant employs at least 2 full time individuals –

- in respect of each regulated activity for which the corporation is seeking to be licensed; and
- who each hold a representative's licence for the relevant regulated activity as required under the SFA.

[Amended on 22 March 2006]

Base Capital Requirements

3.16 The applicant should satisfy the base capital requirements ["BCR"] for its proposed regulated activities, as set out in the Securities and Futures (Financial and Margin Requirements for Holders of Capital Markets Services Licences) Regulations. The BCR for each regulated activity may also be found in Annex 1.

[Amended on 1 August 2008]

Letter of Responsibility / Letter of Undertaking Requirement

3.17 MAS may, pursuant to section 88 of the SFA, impose a condition requiring the applicant to procure a Letter of Responsibility⁴

⁴ The Letter of Responsibility is a commitment from the applicant's parent company that it will maintain adequate oversight over the applicant's operations, financial position, compliance with laws, management and other relevant issues.

or a Letter of Undertaking⁵ (in a form satisfactory to MAS) from its parent company.

[Amended on 22 March 2006]

Criteria Specific to Certain Regulated Activities

3.18 An applicant which is applying to carry out the regulated activity of dealing in securities or trading in futures contracts should have minimum group shareholders' funds of S\$200 million and S\$100 million, respectively.

[Amended on 6 March 2008]

3.19 An applicant which is applying to carry out the regulated activity of fund management (other than under the Boutique Fund Management Scheme under paragraph 4 or Start-up Boutique Fund Management Scheme under paragraph 5 below) should have global funds under management of at least S\$1 billion.

[Amended on 22 March 2006]

3.20 Where an applicant applies to carry out the regulated activities of fund management or advising on corporate finance or both, MAS may impose a licence condition requiring the applicant to purchase a Professional Indemnity Insurance ["PII"] policy that complies with the requirements set out in Annex 2.

[Amended on 22 March 2006]

Additional Licence Conditions for Applicants which do not satisfy all Criteria

3.21 MAS may grant a CMS licence to an applicant which does not satisfy all the requirements set out in paragraphs 3.1 to 3.19 at the time of application, subject to such additional conditions to be imposed pursuant to section 88 of the SFA, such as requiring the applicant to procure a banker's guarantee, PII or Letter of Undertaking.

[Amended on 22 March 2006]

⁵ The Letter of Undertaking sets out the maximum liability of the applicant's parent in support of any liquidity shortfall or other financial obligations.

4 CRITERIA FOR GRANT OF A CMS LICENCE UNDER THE BOUTIQUE FUND MANAGEMENT SCHEME

4.1 A corporation which meets the criteria stated in paragraphs 3.1, 3.5 to 3.16 but does not meet the criteria stated in paragraphs 3.2 to 3.4 or 3.18 above may apply for a CMS licence to carry out the regulated activity of fund management under the Boutique Fund Management ["BFM"] Scheme if it meets the following requirements:

	Requirements
Funds Under Management (Discretionary/ Non-Discretionary)	Must have at least S\$100 million of funds under management. This could be funds under management in Singapore or elsewhere.
Shareholding	Must be ultimately majority-owned by either Singapore citizens or Singapore permanent residents. Foreign BFMs will be considered on a case-by-case basis.
Track Record	Minimum 3-year corporate track record in the fund management business.
Management Expertise	At least 2 fund managers, at least one of whom must be a substantial shareholder. The substantial shareholder must have at least a 10-year acceptable track record in fund management or in a closely related area, with at least 3 years of experience in fund management itself. In addition, at least one other fund manager must have at least 5 years of experience in fund management or in related areas. The fund managers must also have acceptable academic qualifications such as a degree or professional qualification including as a Chartered Financial Analyst.
PII	In accordance with the PII requirements set out in Annex 2.

	Requirements
Investment Management Association of Singapore ["IMAS"]	Must be a member of IMAS.
Clientele	Restricted to accredited investors only.

[Amended on 22 March 2006]

5 CRITERIA FOR GRANT OF A CMS LICENCE UNDER THE START-UP BOUTIQUE FUND MANAGEMENT SCHEME

5.1 A corporation which does not possess the corporate track record as required under the BFM Scheme in paragraph 4 above may apply for a CMS licence to carry out the regulated activity of fund management under the Start-up BFM Scheme if it meets the following requirements (in addition to the requirements stated under paragraph 4):

[Amended on 22 March 2006]

	Requirements
Key Officers ⁶	Must be resident in Singapore, and MAS' prior approval is required for any replacement of Key Officers.
Clientele	Restricted to 100 qualified investors ⁷ for the first three years of operations.

5.2 These additional requirements may be lifted after 3 years.

5.3 Representatives of start-up BFM are not exempted from the requirement to pass Module 3 (Rules and Regulations of Fund Management) of the CMFAS examination even though their clientele is restricted to qualified investors during the first three years of operation.

⁶ Refers to the fund managers holding the requisite individual track record under the "Management Expertise" requirement.

⁷ As defined under paragraph 5(3) of the Second Schedule to the Securities and Futures (Licensing and Conduct of Business) Regulations (Rg 10).

6 CRITERIA FOR GRANT OF A CMS LICENCE UNDER THE BOUTIQUE CORPORATE FINANCE ADVISOR SCHEME

6.1 A corporation which does not possess the corporate track record as required under paragraphs 3.2 and 3.3, but which meets the other relevant criteria stated in paragraph 3, may apply for a CMS licence to carry out the regulated activity of advising on corporate finance under the Boutique Corporate Finance Advisor ["BCF"] Scheme if it meets the following requirements:

	Requirements
Shareholding	Must be ultimately majority-owned by either Singapore citizens or Singapore permanent residents. Foreign BCFs will be considered on a case-by-case basis.
Management Expertise	<p>At least 3 corporate finance professionals with direct and relevant experience, at least one of whom must be a substantial shareholder. The substantial shareholder must have at least a 10-year acceptable track record in corporate finance advisory work. In addition, the other 2 corporate finance professionals must each have at least 5 years of experience in corporate finance advisory work.</p> <p>If the BCF intends to act as issue manager or sponsor to applicants seeking a listing on the SGX-ST, the substantial shareholder must have advised on at least 5 listings in the last 10 years prior to application, in a managerial or supervisory capacity. In addition, at least one of the other 2 corporate finance professionals must have advised on at least 3 listings in the last 5 years prior to application.</p>

	The corporate finance professionals must also have acceptable qualifications such as a degree or professional qualification.
Permissible Initial Public Offerings ["IPO"] Business for New Licensees	Permitted to act as issue manager, in the first instance, for up to 3 IPOs. To continue to act as an issue manager after the third IPO, the licensee needs to demonstrate to MAS that it has put in place measures to ensure adherence with the applicable rules and regulations, as well as industry best practices. This should be supported by a certification from an independent party who is satisfactory to MAS.
Key Officers ⁸	Must be resident in Singapore, and MAS' prior approval is required for any replacement of Key Officers.
PII	In accordance with the PII requirements set out in Annex 2.

[Amended on 22 March 2006]

7 CRITERIA FOR GRANT OF ADDITIONAL REGULATED ACTIVITY OF DEALING IN SECURITIES FOR CMS LICENSEES UNDER BCF SCHEME

7.1 A BCF may apply to add the regulated activity of dealing in securities to conduct placement and underwriting in relation to IPOs for which it is acting as issue manager, if it has brought at least 3 IPOs to the Singapore market and has obtained a certification from an independent party who is satisfactory to MAS that it has put in

⁸ Refers to the corporate finance professionals holding the requisite individual track record under the "Management Expertise" requirement.

place measures to ensure adherence with the applicable rules and regulations, as well as industry best practices.

[Amended on 22 March 2006]

7.2 In addition, the BCF will have to satisfy the following financial and reporting requirements:

- a) Maintain a base capital of at least S\$5 million
- b) Comply with the requirements under Division 1 of the Securities and Futures (Financial and Margin Requirements for Holders of CMS Licences) Regulations (Rg 13); and
- c) Extend its PII to cover both dealing in securities and advising on corporate finance activities.

[Amended on 22 March 2006]

8 CRITERIA FOR GRANT OF CMS LICENCE FOR THE REGULATED ACTIVITY OF REAL ESTATE INVESTMENT TRUST MANAGEMENT [“REIT”]

8.1 Where an applicant does not meet the requirements in paragraphs 3.2, 3.3 and 3.4, the applicant should:

- a) have at least 5 years of experience in managing property funds⁹;
- b) appoint with the approval of the Trustee of the REIT, an adviser who has at least 5 years of experience in, or 5 years of advising on, real estate; or
- c) employ persons¹⁰ who have at least 5 years of experience in investing in, or advising on real estate.

[Amended on 1 August 2008]

⁹ As defined in the Code on Collective Investment Schemes issued by MAS.

¹⁰ Such persons refer to directors and chief executive officers of the applicant, and may include the applicant's representatives. All directors and chief executive officers of the applicant are expected to have at least 10 years of relevant experience, including 5 years at management level.

8.2 The applicant should abide by the Code on Collective Investment Schemes.

[Amended on 1 August 2008]

8.3 The applicant should conduct the following activities, in relation to the management of the REIT, in Singapore:

- a) accounting;
- b) compliance; and
- c) investor relations.

[Amended on 1 August 2008]

8.4 The Singapore operations of the applicant should have a meaningful role in the management of the REIT, relative to any other related entities or branch offices, as the case may be, which may also have responsibility for the management of the REIT. The following factors are relevant but not exhaustive in MAS' assessment of the role of the Singapore operations in the management of the REIT:

- a) the composition and mandates of the applicant's board of directors and management committees; and
- b) the extent to which the chief executive officer and directors who are resident in Singapore participate in the formulation of investment strategies and financing activities of the applicant.

[Amended on 1 August 2008]

8.5 The applicant should abide by the Code of Corporate Governance, where applicable, in respect of listed companies¹¹.

[Amended on 14 May 2010]

¹¹ Issued on 14 July 2005, as from time to time amended, modified or supplemented. In addition, companies listed on relevant exchanges, for instance, Singapore Exchange Limited, may be required under the relevant Exchange Listing Rules to disclose their corporate governance practices and give explanations for deviations in their annual reports. Applicants who manage REITs listed on the Singapore Exchange Limited are expected to abide by the Code of Corporate Governance.

8.6 Where there are possible situations of conflicts of interest, the board and senior management of the applicant should ensure that all necessary steps are taken to avoid conflicts of interest, and should such conflicts arise, ensure that the conflicts are resolved fairly and equitably. The following factors are relevant but not exhaustive to MAS' assessment of conflicts of interest:

- a) the roles of the chief executive officer and executive directors in:
 - i) the applicant; and
 - ii) entities related to the sponsor of the REIT;
- b) the nature of corporate governance arrangements in the applicant, including the role of board committees and chairpersons of these committees;
- c) the roles and responsibilities of independent directors on the board of the applicant; and
- d) the adequacy of proposed mitigating measures to be instituted by the applicant, and the disclosures made of these measures to investors.

The following examples of conflict of interest are relevant but should not be regarded as exhaustive:

- a) an independent director who sits on the board of a sponsor¹² should not sit as an independent director on the board of the applicant unless the applicant is satisfied that there are no competing interests between the sponsor and the applicant, for instance, because they do not invest in assets of a similar sector or because they are not located in similar jurisdictions.
- b) an independent director who sits on the board of the applicant should not receive any shares or interests in securities from the -
 - i) parent of the applicant;
 - ii) sponsor; or
 - iii) any related corporation of the applicant or the sponsor,

¹² A sponsor in relation to a REIT means the entity that develops the properties or finances the acquisition (either directly or indirectly) of the properties for the REIT.

as part of the independent director's fees or remuneration.

[Amended on 14 May 2010]

9 CRITERIA FOR GRANT OF A CMS REPRESENTATIVE'S LICENCE

9.1 A CMS representative's licence will only be granted to an individual who is at least 21 years old.

9.2 The applicant must possess at least 4 credits in the GCE "O" level Examination (or its equivalent), and satisfy the examination requirements as prescribed in the Notice on Minimum Entry and Examination Requirements for Representatives of Holders of Capital Markets Services Licence and Exempt Financial Institutions under the SFA.

[Amended on 22 March 2006]

9.3 The applicant has to satisfy MAS that he is a fit and proper person to be licensed, in accordance with the criteria set out in the Guidelines on Fit and Proper Criteria issued by MAS.

[Amended on 22 March 2006]

Annex 1 – Base Capital Requirements (BCR)

Where more than one BCR is applicable, the amount of BCR required shall be the highest of the applicable BCRs.

(A) Dealing in Securities

Regulated Activity	BCR (S\$)
Dealing in securities (clearing member for securities ¹³)	5 million
Dealing in securities (non-clearing member for securities ¹⁴)	1 million
Dealing in securities (non-member ¹⁵)	1 million
Dealing in securities (introducing broker ¹⁶)	500,000
Dealing in securities (restricted broker ¹⁷)	250,000

¹³ Refers to a corporation which is a member of a designated clearing house authorised to operate a clearing facility for securities.

¹⁴ Refers to a corporation (not being an introducing broker or restricted broker) which is a member of a securities exchange

¹⁵ Refers to a corporation (not being an introducing broker or restricted broker) which is not a member of a securities exchange

¹⁶ For the purposes of dealing in securities, refers to a corporation which deals in securities which does not carry any customers' positions, margins or accounts in its own books; and either (i) carries on the business only of soliciting or accepting orders for the purchase or sale of any securities from any customer (not being a restricted broker) or (ii) accepts money or assets from any customer as settlement of, or a margin for, or to guarantee or secure, any contract for the purchase or sale of securities by that customer.

¹⁷ For the purposes of dealing in securities, refers to a corporation which deals in securities which (i) does not carry any customers' positions, margins or accounts in its own books; (ii) deals in securities only with accredited investor(s); and (iii) does not accept money or assets from any customer as settlement of, or a margin for, or to guarantee or secure, any contract for the purchase or sale of securities by that customer.

(B) Trading in Futures Contracts

Regulated Activity	BCR (S\$)
Trading in futures contracts (clearing member ¹⁸)	5 million
Trading in futures contracts (non-clearing member ¹⁹)	1 million
Trading in futures contracts (non-member ²⁰)	1 million
Trading in futures contracts (introducing brokers ²¹)	500,000
Trading in futures contracts (restricted broker ²²)	250,000

¹⁸ Refers to a corporation which is a member of a designated clearing house authorised to operate a clearing facility for futures contracts, where the corporation's membership is not limited to specified commodity futures contracts.

¹⁹ Refers to a corporation (not being an introducing broker or restricted broker in relation to trading in futures contracts) which is a member of a futures exchange.

²⁰ Refers to a corporation (not being an introducing broker or restricted broker in relation to trading in futures contracts) which is not a member of a futures exchange.

²¹ For the purposes of trading in futures contracts, refers to a corporation which does not carry any customer's positions in futures contracts, margins or accounts in its own books, and either (i) carries on the business only of soliciting or accepting orders for the purchase or sale of any futures contract from any customer (not being a restricted broker); or (ii) accepts money or assets from any customer as settlement of, or a margin for, or to guarantee or secure, any purchase or sale of futures contract by that customer.

²² In relation to trading in futures contracts, refers to a corporation which (i) does not carry any customer's positions in futures contracts, margins or accounts in its own books; (ii) trades in futures contracts only with accredited investors; and (iii) does not accept money or assets from any customer as settlement of, or a margin for, or to guarantee or secure, any purchase or sale of futures contract by that customer.

(C) Trading in Commodities Futures Contracts

Regulated Activity	BCR (S\$)
Trading in futures contracts (clearing member limited to specified commodity futures contracts ²³)	1 million
Trading in specified commodity futures contracts only (clearing member ²⁴)	1 million
Trading in specified commodity futures contracts only (non-clearing member ²⁵)	500,000
Trading in specified commodity futures contracts only (non-member ²⁶)	500,000
Trading in specified commodity futures contracts only (introducing broker ²⁷)	250,000
Trading in specified commodity futures contracts only (restricted broker ²⁸)	250,000

²³ Refers to a corporation which is a member of a designated clearing house authorised to operate a clearing facility for futures contracts, where the corporation's membership is limited to specified commodity futures contracts. The applicant engaged in this regulated activity may be required to maintain and holds its financial resources [as defined in the Securities and Futures (Financial and Margin Requirements for Holders of Capital Markets Services Licences) Regulations] ["SF(FMR)"] in such manner in Singapore as may be specified by MAS.

²⁴ Refers to a corporation which is a member of a designated clearing house authorised to operate a clearing facility for futures contracts. The applicant engaged in this regulated activity may be required to maintain and holds its financial resources [as defined in the SF(FMR)] in such manner in Singapore as may be specified by MAS.

²⁵ Refers to a corporation (not being an introducing broker or restricted broker in relation to trading in futures contracts) which is a member of a futures exchange.

²⁶ Refers to a corporation (not being an introducing broker or restricted broker in relation to trading in commodity futures contracts) which is not a member of a futures exchange.

²⁷ In relation to trading in specified commodity futures contracts, refers to a corporation which does not carry customers' positions, margins or accounts in its own books; and either (i) carries on the business only of soliciting or accepting orders for the purchase or sale of any specified commodity futures contract from any customer (not being a restricted broker) or (ii) accepts money or assets from any customer as settlement of, or a margin for, or to guarantee or secure, any purchase or sale of specified commodity futures contracts that customer.

²⁸ In relation to trading in specified commodity futures contracts, refers to a corporation which (i) does not carry any customer's positions in specified commodity futures contracts, margins or accounts in its own books; (ii) trades in specified commodity futures contracts only with accredited investors; and (iii) does not accept money or assets from any customer as settlement of, or a margin for, or to guarantee or secure, any purchase or sale of specified commodity futures contract by that customer

(D) Fund Management

Regulated Activity	BCR (S\$)
Carrying out fund management of any collective investment scheme offered to any investor other than an accredited investor	1 million
Carrying out fund management on behalf of any customer other than an accredited investor, whether on a discretionary authority granted by the customer or otherwise	500,000
Carrying out fund management for accredited investors in any other case	250,000

(E) Other Regulated Activities under the SFA

Regulated Activity	BCR (S\$)
Carrying out real estate investment trust management	1 million
Carrying out leveraged foreign exchange trading	1 million
Carrying out securities financing	1 million
Providing custodial services for securities	1 million
Advising on corporate finance	250,000

[Amended on 1 August 2008]

Annex 2 – Minimum PII Requirements

1 The minimum PII coverage, renewable on an annual basis and valid for the licence period, shall be as follows:

Fund Management (including BFM and start-up BFM)	
Funds under Management [“AUM”]²⁹ (S\$' million)	Minimum PII Coverage (S\$' million)
< 100	2
100 = AUM < 200	3
200 = AUM < 300	5
300 = AUM < 400	7
400 = AUM < 500	9
500 = AUM < 600	11
600 = AUM < 700	13
700 = AUM < 800	15
800 = AUM < 900	17
900 = AUM < 1,000	19
1,000 = AUM < 10,000	21
10,000 and above	25

Advising on Corporate Finance (including BCF)	
Revenue from advising on Corporate Finance⁴ [“REVENUE”](S\$' million)	Minimum PII Coverage (S\$' million)
< 10	2.5
10 = REVENUE < 20	5
20 = REVENUE < 30	7.5
30 = REVENUE < 40	10
40 = REVENUE < 50	12.5
50 = REVENUE < 60	15
60 = REVENUE < 70	17.5

²⁹ The AUM refers to the Total Funds under Management defined in Form 6 of the Seventh Schedule to the Securities and Futures (Financial and Margin Requirements for Holders of Capital Markets Services Licences) Regulations and should be based on the latest audited figures.

Advising on Corporate Finance (including BCF)	
Revenue from advising on Corporate Finance⁴ [“REVENUE”](S\$' million)	Minimum PII Coverage (S\$' million)
70 = REVENUE < 80	20
80 = REVENUE < 100	22.5
100 and above	25

[Amended on 22 March 2006]

2 The amount of PII deductible should not exceed 20% of the applicant's base capital.

[Amended on 22 March 2006]

3 If an applicant carries out both the regulated activities of fund management and advising on corporate finance, the minimum PII coverage in paragraph 1 is cumulative.

[Amended on 22 March 2006]

4 MAS may consider a Letter of Undertaking, (in a form satisfactory to MAS) in lieu of a PII and a Letter of Responsibility, to be procured from the parent company if the parent company is of satisfactory financial standing.

[Amended on 22 March 2006]

5 The liability under the Letter of Undertaking referred to in paragraph 4 should be at least that required of the PII as stated in paragraph 1.

[Amended on 22 March 2006]