



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

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

1 PURPOSE

[Amended on 22 March 2006]

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 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 (f) and (g) 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 2nd schedule of 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) Securities financing;
- g) Providing custodial services for securities.

2.3 The definitions of the regulated activities are provided in the 2nd Schedule to the SFA.

3 CRITERIA FOR GRANT OF A CMS LICENCE

General Criteria

[Amended on 22 March 2006]

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

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 has good ranking in its home country.

3.4 The applicant is subject to proper supervision by a recognised home regulatory authority.

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]

¹ Refers to any body corporate incorporated in Singapore or outside Singapore.

- 3.7 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]

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]

Base Capital Requirements

3.9 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 (Rg 13). The BCR for each regulated activity is as follows:

Regulated Activity	BCR³ (S\$)
Dealing in securities (SGX-ST clearing members)	5 million
Dealing in securities (SGX-ST non-clearing members)	1 million
Dealing in securities (non-members)	1 million
Dealing in securities (introducing brokers ⁴)	500,000
Dealing in securities (restricted brokers ⁵)	250,000

² Guidelines No. MCG-01 issued on 1 July 2005.

³ Where more than one BCR is applicable, the amount of BCR required shall be the highest of the applicable BCRs.

⁴ Refers to a corporation which deals in securities or trades in futures contracts which (i) does not carry customers' positions, margins or accounts in its own books; and (ii) undertakes the business of soliciting or accepting orders for the purchase or sale of any securities or futures contract or deals or trades only with accredited investor(s).

Regulated Activity	BCR³ (S\$)
Trading in futures contracts (SGX-DT clearing members)	5 million
Trading in futures contracts (SGX-DT non-clearing members)	1 million
Trading in futures contracts (non-members)	1 million
Trading in futures contracts (introducing brokers ⁴)	500,000
Trading in futures contracts (restricted brokers ⁵)	250,000
Leveraged foreign exchange trading	1 million
Advising on corporate finance	250,000
Fund management (including management of collective investment schemes)	1 million
Fund management (excluding management of collective investment schemes)	500,000
Fund management for accredited investors	250,000
Securities financing	1 million
Providing custodial services for securities	1 million

Letter of Responsibility / Letter of Undertaking Requirement

3.10 MAS may, pursuant to section 88 of the SFA, impose a condition requiring the applicant to procure a Letter of Responsibility⁶

⁵ Refers to a corporation which deals in securities or trades in futures contracts which (i) does not carry customers' positions, margins or accounts in its own books; (ii) only carries on the business of soliciting or accepting orders for the purchase or sale of any securities or futures contract or deals or trades only with accredited investor(s); and (iii) does not accept money or assets from a customer as a margin for, or to guarantee or secure, the futures contracts of that customer.

⁶ 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 Undertaking⁷ (in a form satisfactory to MAS) from its parent company.

[Amended on 22 March 2006]

Criteria Specific to Certain Regulated Activities

3.11 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]

3.12 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]

3.13 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 1.

[Amended on 22 March 2006]

Additional Licence Conditions for Applicants which do not satisfy all Criteria

3.14 MAS may grant a CMS licence to an applicant which does not satisfy all the requirements set out in paragraphs 3.1 to 3.12 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]

⁷ 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, 3.4 to 3.11 but does not meet the criteria stated in paragraphs 3.2, 3.3 or 3.12 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.

	Requirements
PII	In accordance with the PII requirements set out in Annex 1.
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 ⁸	Must be resident in Singapore, and MAS' prior approval is required for any replacement of Key Officers.
Clientele	Restricted to 100 qualified investors ⁹ for the first three years of operations.

5.2 These additional requirements may be lifted after 3 years.

⁸ Refers to the fund managers holding the requisite individual track record under the "Management Expertise" requirement.

⁹ As defined under paragraph 5(3) of the Second Schedule to the Securities and Futures (Licensing and Conduct of Business) Regulations (Rg 10).

5.3 Representatives of start-up BFM's 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 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	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. 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

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	<p>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> <p>The corporate finance professionals must also have acceptable qualifications such as a degree or professional qualification.</p>
Permissible Initial Public Offerings ["IPO"] Business for New Licensees	<p>Permitted to act as issue manager, in the first instance, for up to 3 IPOs.</p> <p>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.</p>
Key Officers ¹⁰	<p>Must be resident in Singapore, and MAS' prior approval is required for any replacement of Key Officers.</p>
PII	<p>In accordance with the PII requirements set out in Annex 1.</p>

[Amended on 22 March 2006]

¹⁰ Refers to the corporate finance professionals holding the requisite individual track record under the "Management Expertise" requirement.

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 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 A CMS REPRESENTATIVE'S LICENCE

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

8.2 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 SFA¹¹.

[Amended on 22 March 2006]

8.3 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 MAS².

[Amended on 22 March 2006]

¹¹ Notice No: SFA 04-N06 issued on 1 July 2005.

Annex 1 – 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”]¹² (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 Finance¹³ [“REVENUE”](S\$' million)	Minimum PII Coverage (S\$' million)
< 10	2.5
10 ≤ REVENUE < 20	5
20 ≤ REVENUE < 30	7.5

¹² The AUM refers to the Total Funds under Management defined in Form 6 pursuant 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.

¹³ The revenue from advising on corporate finance refers to the Corporate Finance Fees as reported in Form 6 pursuant to the Securities and Futures (Financial and Margin Requirements for Holders of Capital Markets Services Licences) Regulations.

Advising on Corporate Finance (including BCF)	
Revenue from advising on Corporate Finance¹³ [“REVENUE”](S\$' million)	Minimum PII Coverage (S\$' million)
30 ≤ REVENUE < 40	10
40 ≤ REVENUE < 50	12.5
50 ≤ REVENUE < 60	15
60 ≤ REVENUE < 70	17.5
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]