Monetary Authority of Singapore

SECURITIES AND FUTURES ACT

(CAP. 289)

GUIDELINES ON LICENSING, REGISTRATION AND CONDUCT OF BUSINESS FOR FUND MANAGEMENT COMPANIES

Guideline No : SFA 04-G05
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GUIDELINES ON LICENSING, REGISTRATION AND CONDUCT OF BUSINESS FOR FUND MANAGEMENT COMPANIES

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1 Purpose

1.1 These Guidelines, which have been issued pursuant to section 321 of the Securities and Futures Act (Cap. 289) ["SFA"], are applicable to corporations with fund management as their principal business activity. These corporations, which will be referred to in these Guidelines as Fund Management Companies ["FMCs"], may be either:

1.1.1 Licensed FMCs ["LFMCs"], which hold a capital markets services licence for fund management; or

1.1.2 Registered FMCs ["RFMCs"], which are registered under paragraph 5(1)(i) of the Second Schedule to the Securities and Futures (Licensing and Conduct of Business) Regulations (Rg. 10) ["SF(LCB)R"].

These Guidelines explain the minimum licensing criteria for LFMCs, the eligibility criteria for RFMCs and the conduct of business requirements for both LFMCs and RFMCs.

1.2 **Venture Capital Fund Manager Regime** – Persons that seek to operate as a Venture Capital Fund Manager ["VCFM"] should refer to Annex 7 for the admission criteria, ongoing requirements and application procedures.

1.3 Persons seeking to be licensed for regulated activities under the SFA, other than fund management, should refer to the Guidelines on Criteria for the Grant of a Capital Markets Services Licence (SFA04-G01).

1.4 These Guidelines should be read in conjunction with the provisions of the SFA, the SF(LCB)R, the Securities and Futures (Financial and Margin Requirements for Holders of Capital Markets Services Licences) Regulations (Rg. 13) ["SF(FMR)R"] and other relevant legislation, as well as with the guidelines and FAQs issued by MAS.

1.5 Unless otherwise defined, the terms contained in these Guidelines have the same meaning as defined in the SFA and SF(LCB)R. Where there is a conflict in the definitions provided in the SFA and SF(LCB)R, the SF(LCB)R shall prevail.

2 Categories of FMCs

2.1 **Capital Markets Services ["CMS"] Licence or Registration** – The activity of fund management is defined in the Second Schedule to the SFA. A corporation that carries on business in fund management in Singapore would need to either hold a CMS licence in fund management or be registered with MAS as an RFMC. The different categories are set out in Table 1 below. The corporation should ensure that the category it chooses accommodates its needs over a reasonable timeframe.

Table 1 – Categories of FMC

Category		Permissible Activities
LFMCs	Retail LFMCs	Carrying on business in fund management with all types of investors.
	A/I LFMCs	Carrying on business in fund management with qualified investors only, without restriction on the number of qualified investors.
RFMCs		Carrying on business in fund management with no more than 30 qualified investors (of which no more than 15 may be funds or limited partnership fund structures) AND the total value of the assets managed does not exceed S$250 million.

2.2 **Investors** – A/I LFMCs and RFMCs should not target retail investors through the use of investment structures that circumvent clientele class restrictions. The following are illustrations of how A/I LFMCs and RFMCs may carry on business in fund management:

2.2.1 In limited partnership fund structures, the general partner will typically be an FMC, with third party investors participating as limited partners. On occasion, the general partner may be a company controlled by the FMC, rather than the FMC itself. In the latter circumstance, so long as the general partner is ultimately owned by the key officers and/or shareholders of the FMC, the FMC may continue to manage the fund as an A/I LFMC or RFMC (as the case may be), notwithstanding that the general partner does not meet the requirements of an accredited investor or institutional investor.

2.2.2 A/I LFMCs (including VCFMs) and RFMCs may carry on business in fund management with their employees only if these employees either:

(i) meet the definition of an accredited investor; or

(ii) are investment professionals[1] employed by the FMC or employed within the same corporate group[2]. For RFMCs, such investment professionals shall be considered qualified investors for the purpose of paragraph 5(1)(i) of the Second Schedule to the SF(LCB)R. The funds that such investment

[1] Investment professionals are persons who perform the functions of portfolio management, research or dealing, and do not include individuals solely involved in activities such as client servicing, business development, marketing or risk management. For the avoidance of doubt, individuals whose roles are limited to middle-office or back-office functions would not be considered as ‘investment professionals’.

[2] This would refer to entities or trusts that are related to the FMC, which are in the business of fund management. An entity or trust is considered to be related to the FMC if it is (i) a subsidiary of the FMC; (ii) a holding company of the FMC; or (iii) a subsidiary of the holding company or holding entity of the FMC.

professionals invest in, which are otherwise offered to accredited investors and institutional investors, shall also be considered qualified investors.

2.2.3 Where an A/I LFMC or RFMC carries on business with the employees stated in paragraph 2.2.2(ii) who do not meet the accredited investor status, the FMC is required to have the following safeguards in place:

(i) The FMC must maintain records of investment professionals with whom the FMC carries on business in fund management. The FMC should be able to demonstrate to MAS, when called upon, the basis pursuant to which the employee qualifies as an investment professional.

(ii) The investment professionals' participation in the fund management arrangement must be strictly voluntary. The FMC should be able to demonstrate to MAS, when called upon, that the participation or investments made by the investment professionals have been voluntary.

(iii) The investment professional must be apprised of the risks involved with his investment, and be required to acknowledge in writing that he would not be accorded the regulatory safeguards as a retail investor for his investment into the funds managed by the FMC.

(iv) In the event that the investment professional ceases his employment with the FMC or corporate group, that investment professional must not be allowed to make further investments into the funds managed by the FMC. In respect of private equity or venture capital funds, the employee can continue to fulfil his existing commitment at the point of investment, but should not be allowed to make new commitments to funds managed by the FMC, after the cessation of employment. In this regard, the FMC must have a clear policy regarding the treatment or handling of such investment professionals' investments in the event of his cessation of employment, including whether the employee will be allowed to remain invested or redeem his existing contributions, be restricted from making further contributions or be required to fulfil his existing commitment, and this policy must be agreed on and acknowledged by the investment professional prior to his investment. For the avoidance of doubt, it is not MAS' intent to mandate that such investment professionals liquidate or dispose of their investments once they cease to be employed by the FMC or the corporate group.

2.3 **Research and Advisory** – A person that acts as investment advisor, sub-advisor or provides research to other investment managers (either in Singapore or overseas) would be considered to be conducting fund management activity if the person is able to exercise direct or indirect control over the management of the investment portfolio. In determining whether such a person is able to exercise control over the investment portfolio, MAS may consider factors such as whether the person is involved in the construction of the investment portfolio; has knowledge of, or access to the holdings of the portfolio beyond what is publicly available; or is named or referred to in the fund's prospectus, offering documents or marketing materials.

2.4 **Managed Assets** – In determining the value of the assets being managed, an FMC should take note of the following:

2.4.1 An FMC conducting fund management activity as set out in paragraph 2.3 above should report, as assets under the FMC's non-discretionary management, the moneys and assets contracted to the investment manager in respect of which the FMC has an agreement to provide the fund management services. In reporting these assets, the FMC should only include the portion that is attributable to it based on appropriate proxies such as the geographical or sectoral focus of the FMC.

2.4.2 Moneys committed by investors but not drawn down should be excluded from the FMC's managed assets; and

2.4.3 Given that managed assets should be based on the net value of the assets being managed, any leverage to which the managed assets are exposed should be excluded from the FMC's managed assets.

2.5 **Exceeding the Limit of Managed Assets** – An RFMC should periodically monitor the size of the assets being managed, for the purpose of ensuring that it is adhering to the limit of S$250 million prescribed for RFMCs. An RFMC should, among other things, consider potential changes in the size of the assets being managed arising from prospecting of new investors or investment mandates. An RFMC which is managing private equity investments, or funds that operate on committed capital basis, should consider the total committed capital of these funds when considering whether its business model meets the thresholds for RFMCs.

3 Criteria for Licensing or Registration

3.1 FMCs should be Singapore incorporated companies and have a permanent physical office in Singapore. All FMCs should meet the following criteria:

3.1.1 **Competency of Key Individuals** – The FMC should ensure that the minimum competency requirements, set out in *Appendix 1*, are met.

3.1.2 **Fit and Proper** – An FMC should satisfy MAS that its shareholders, directors, representatives and employees, as well as the FMC itself, are fit and proper, in accordance with the Guidelines on Fit and Proper Criteria issued by MAS [FSG-G01].

3.1.3 **Base Capital** – An FMC shall *at all times* meet the base capital thresholds set out in the SF(FMR)R, as summarized in Table 2 below, upon obtaining its licence or being registered with MAS. In view of this obligation, it would be prudent for the FMC to maintain an additional capital buffer, over and above the requisite base amount. An FMC should make a reasonable assessment of the amount of additional capital buffer it needs, bearing in mind the scale and scope of its operations.

Table 2 - Base Capital Requirement

Category	Base Capital Requirement
(a) Carrying out fund management in respect of any CIS offered to any investor other than an accredited or institutional investor.	S$1,000,000/-
(b) Carrying out fund management (non-CIS) on behalf of any customer other than an accredited or institutional investor.	S$500,000/-
(c) Carrying out fund management other than that described in (a) or (b) above.	S$250,000/-

3.1.4 **Risk-Based Capital** – An LFMC shall *at all times* meet the risk-based capital requirement in the SF(FMR)R, as summarized in Table 3 below, upon obtaining its licence.

Table 3 – Risk-based Capital Requirement

Category	Risk-based Capital Requirement
Retail LFMCs	Financial resources are at least 120% of operational risk requirement.
A/I LFMCs	

3.1.5 **Compliance Arrangements** – MAS expects an FMC to have in place compliance arrangements that are commensurate with the nature, scale and complexity of its business. The minimum requirements in respect of compliance arrangements are set-out in *Appendix 2*. Ultimate responsibility for compliance with applicable laws and regulations rests with the FMC's CEO and board of directors, even though compliance support may be provided by a foreign related entity and/or third party service providers.

3.1.6 **Risk Management Framework** – An FMC shall put in place a risk management framework to identify, address and monitor the risks associated with customer assets that it manages, as required by Regulation 13B(1)(a) of the SF(LCB)R. The FMC should take into account the principles set out in the MAS Guidelines on Risk Management Practices that are applicable to all financial institutions and any other industry best practices that might be relevant. An FMC should also be cognizant that these risks are dependent on the nature and size of its operations and the nature of assets that it manages. At a minimum, the risk management framework of an FMC should address the following:

(i) **Governance, independence and competency of the risk management function** – The risk management function should be subject to adequate oversight by the Board and senior management of the FMC. It should also be segregated from and independent of the portfolio management function. Staff of the risk management function should also have adequate knowledge and expertise in risk management;

(ii) **Identification and measurement of risks associated with customer assets** – All pertinent risks associated with customer assets should be identified and measured. Where appropriate, tools or metrics suitable to the nature, scale and complexity of the assets managed should be acquired or developed to ensure accurate and timely tracking and assessment of risk exposures;

(iii) **Timely monitoring and reporting of risks to management** – Procedures should be developed and maintained to ensure that the risks which have been identified are closely monitored and that management is kept informed of risk exposures on a continual and timely basis; and

(iv) **Documentation of risk management policies, procedures and reports** – All policies, procedures and reports relating to the risk management function should be properly documented and maintained.

3.1.7 **Internal Audit** – MAS expects the business activities of an FMC to be subject to adequate internal audit. The internal audit arrangements should be commensurate with the scale, nature and complexity of its operations. The internal audit may be conducted by the internal audit function within the FMC, an internal audit team from the head office of the FMC, or outsourced to a third party service provider.

3.1.8 **Independent Annual Audits** – An FMC shall meet the annual audit requirements as set out in the SFA and SF(LCB)R. MAS may direct the FMC to appoint another auditor if the appointed auditor is deemed to be unsuitable, having regard to the scale, nature and complexity of the FMC's business.

3.1.9 **Professional Indemnity Insurance [“PII”]** – MAS may impose a licence condition requiring a Retail LFMC to obtain PII that complies with the minimum requirements set out in *Appendix 3*. A/I LFMCs and RFMCs are strongly encouraged to maintain adequate PII coverage. They should disclose to all customers, both potential and existing, its PII arrangements or the absence of such arrangements.

3.1.10 **Letter of Responsibility** – Where appropriate, MAS may require LFMCs to procure a Letter of Responsibility from the LFMC’s parent company.

3.2 **Other Factors** – When assessing applications for a CMS licence in fund management, MAS may consider other factors such as:

3.2.1 track record of the LFMC or its holding company or related corporation, where applicable. A Retail LFMC should demonstrate that it or its shareholders have at least a 5 year track record of managing funds for retail investors in a jurisdiction which has a regulatory framework that is comparable to Singapore. The FMC and its related corporations should also manage total assets of at least S$1 billion;

3.2.2 whether the FMC, its holding company or related corporations are subject to proper supervision by a competent regulatory authority;

3.2.3 commitment of the FMC's holding company to the FMC's operations in Singapore; and

3.2.4 commitment from the FMC's shareholders, as demonstrated through seed investments in funds managed by the FMC.

4 Ongoing Requirements for FMCs

4.1 **Business Conduct** – An FMC is required to comply, on an ongoing basis, with all applicable business conduct requirements set out in the SFA and SF(LCB)R, as well as in the Notices issued by MAS that are applicable to the FMC. Some of these requirements are explained in the list immediately below, which is meant to be illustrative but not exhaustive.

4.1.1 **Custody** – An FMC shall ensure that assets under management are subject to independent custody. Independent custodians include prime brokers, depositories and banks that are suitably licensed, registered or authorised in their respective jurisdictions.

4.1.2 **Valuation & Reporting** – An FMC shall ensure that assets under management are subject to independent valuation and customer reporting. The requirement for independent valuation may be satisfied by having:

(i) a third party service provider, such as a fund administrator or custodian, perform the valuation; or

(ii) an in-house fund valuation function that is segregated from the investment management function. Such arrangements may be adopted within larger financial services groups where there are sufficient resources and internal controls to provide for effective segregation of both functions.

The annual audit performed by the independent auditor is meant to serve as a periodic check on the valuation of the assets. Taken on its own, the annual audit will *not* fulfil the requirement for independent valuation.

4.1.3 **Mitigating Conflicts of Interest** – An FMC shall put in place mitigating measures to mitigate any conflicts of interest and, where appropriate, disclose any conflicts of interest to its customers. This would include any actual or *potential* conflicts of interest that may arise, such as:

(i) the FMC procures the services of related corporations or other entities in which the CEO, directors or representatives of the FMC have controlling interests or substantial shareholdings;

(ii) the FMC invests into the fund using its proprietary moneys or moneys belonging to its related entities or employees;

(iii) the FMC invests customer moneys into the securities of the FMC's related entity; and/or

(iv) the CEO, director or representative of the FMC has interests which are distinct from his/her role as CEO, director or representative of the FMC, as the case may be, and which may be in conflict with the interests of the customers of the FMC.

4.1.4 **Disclosure** - An FMC should ensure that there is adequate disclosure to its customers in respect of each fund or account that it manages. Disclosures should, at the minimum, cover the following:

(i) the investment policy and strategy, as well as risks associated with the strategy;

(ii) the terms with respect to fees, termination or exit and, where applicable, gating[3], side-pocketing[4], lock-up[5] or suspension of redemptions, including any penalties that may apply under such circumstances;

(iii) the valuation policy and performance measurement standards. Where there are investments in hard-to-value or illiquid assets, the methodology and procedures for their valuation should be disclosed;

(iv) the use of leverage, to the extent permitted by the investment mandate. The definition and measurement of leverage, as well as the circumstances under which leverage may be used, should be disclosed;

[3] Gating generally refers to limits placed on the amount of withdrawals that investors can make from a fund during the redemption period.
[4] Side-pocketing generally refers to the practice by investment managers of placing (normally illiquid) assets of a fund in a side-pocket account. Investors withdrawing from the fund will not receive their share of the assets in the side pocket account until such time the assets are liquidated.
[5] Lock-up generally refers to a window period during which investors of a fund are not allowed to redeem their fund investment.

(v) the counterparties, brokers and prime brokers used by the fund or account; and

(vi) the custodians, trustee, fund administrators and/or auditors used by the fund or account.

These disclosures should be provided at the inception of the fund, or at the point that the customer's account is set up. An FMC should also ensure that such disclosures are provided to its customers not only on a periodic basis, but as and when material changes occur.

4.2 **AML/CFT Requirements** – An FMC shall comply with the requirements on anti-money laundering and countering the financing of terrorism ["AML/CFT"] requirements, as set out in the Notice to Capital Markets Service Licensees and Exempt Persons on Prevention of Money Laundering and Countering the Financing of Terrorism [SFA04-N02].

4.3 **Reporting of Misconduct** – All LFMCs shall comply with the misconduct reporting requirements set out in the Notice on Reporting of Misconduct of Representatives by Holders of CMS Licence and Exempt Financial institutions [SFA04-N11].

4.4 **Use of Service Providers** – Prior to entering into arrangements with service providers (such as a compliance service provider or a fund administrator), an FMC should take into account the requirements set-out in the MAS Guidelines on Outsourcing.

4.5 **Notifications & Approvals** – An FMC shall comply with its obligation to notify MAS or to seek MAS' approval, as the case may be, for relevant transactions and changes in particulars, as required by the SFA, SF(LCB)R and SF(FMR)R. These requirements are summarized in *Appendix 4*. An FMC shall also notify MAS immediately if it breaches any licensing or registration requirement, as well as take immediate steps to rectify the breach.

4.6 **Periodic Returns** – An FMC shall submit periodic regulatory returns in relation to its fund management activities, in accordance with the SF(LCB)R and SF(FMR)R. The requirements are summarized in *Appendix 5.*

5 Fees Charged

5.1 **Fees** – All FMCs are required to pay the relevant fees set out in the Third Schedule to the SF(LCB)R. Please refer to the Guidelines on Licence Applications, Representative Notification and Payment of Fees [CMG-G01] for more information.

6 Application for Licence or Registration by FMCs

6.1 **Applications** – An FMC shall submit its application for licensing or registration to MAS, in the manner set out in Table 4 below. Please refer to the *Corporate Electronic Lodgement ["CeL"]* User Guide for more information on submissions through CeL.

Table 4 – Application for Registration or Licence

Entity	Submission	Submit through:
Prospective FMC	(i) Registering with MAS as an RFMC.	CeL
	(ii) Applying for CMS licence in fund management and, where applicable to the applicant's business model, such additional SFA regulated activities of: (a) dealing in securities, (b) trading in futures contracts, and/or (c) leveraged foreign exchange trading.	CeL
	(iii) Applying for CMS licence in fund management and, where applicable to the applicant's business model, such additional SFA regulated activities that include activities not listed in (ii) above.	Hardcopy SF(LCB)R Form 1*
Existing FMC	Applying for additional SFA regulated activities.	Hardcopy SF(LCB)R Form 5*.

* Available on the MAS website.

6.2 **Documents Required** – The documents required for licence applications and registrations are set out in *Appendix 6*.

6.3 **Contact –** Persons who are interested in applying for a fund management licence or in operating as an RFMC may contact MAS in the following manner:

By Post: Capital Markets Intermediaries Department II
10 Shenton Way MAS Building, Singapore 079117

By Email: webmaster@mas.gov.sg

By Phone: (65) 6225 5577

Appendix 1

A1 Minimum Competency Requirements

Table A1-1 – Minimum Competency Requirements

	RFMC	A/I LFMC	Retail LFMC
(i) **Number of Directors:**	At least 2	At least 2	At least 2
Minimum years of relevant experience^:	5 yrs	5 yrs	5 yrs
The duties of a director are spelt out in the SF(LCB)R. Nominee directors such as legal advisers or corporate secretaries will not count towards meeting this requirement.			
Of these directors,			
• **Number of Executive Directors:** *Executive Directors are employed full-time in the day-to-day operations of the company and should be resident in Singapore.*	At least 1	At least 1	At least 1
• **Minimum years of relevant experience^ of Chief Executive Officer ["CEO"]:** *The duties of a CEO are spelt out in the SF(LCB)R.*	5 yrs	5 yrs	10 yrs
(ii) **Number of relevant professionals residing in Singapore:**	At least 2	At least 2	At least 3
Minimum years of relevant experience^: *Relevant professionals would include the directors, CEO and representatives of the FMC.*	5 yrs	5 yrs	5 yrs

	RFMC	A/I LFMC	Retail LFMC
(iii) **Number of representatives residing in Singapore:** *Representatives are individuals who conduct the regulated activity of fund management such as portfolio construction and allocation, research and advisory, business development and marketing or client servicing. They may include the directors and CEO of the FMC.* *Representatives are required to meet applicable minimum entry and examination requirements as set out 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 [SFA04-N09]" and any other relevant notices issued by MAS.*	At least 2	At least 2	At least 3

^ The relevance of an individual's past experience should be assessed in the context of the role that the individual will perform in the FMC. For example, experience in proprietary trading for financial institutions could be counted towards meeting the relevant experience requirement for the two relevant professionals. Relevant experience may also include sector experience (e.g. corporate strategy and management of businesses), particularly for private equity and venture capital FMCs. Directors and the CEO should have managerial experience or experience in a supervisory capacity as part of their relevant experience.

Appendix 2

A2 Minimum Compliance Arrangements

Table A2-1 – Minimum Compliance Arrangements

<table>
<tr><th>Category</th><th>Minimum Requirements</th></tr>
<tr><td>Retail LFMC</td><td rowspan="2">• The FMC should put in place an independent and dedicated compliance function in Singapore with staff who are suitably qualified and independent from the front office.
• Compliance staff may perform other non-conflicting and complementary roles such as that of an in-house legal counsel.
• An A/I LFMC with AUM exceeding S$1b but carrying out only research and advisory activities that is considered to be fund management under paragraph 2.3, may obtain compliance support from an independent and dedicated compliance team at its holding company, or at an overseas related entity.</td></tr>
<tr><td>A/I LFMC
(AUM ≥ S$1b)</td></tr>
<tr><td>A/I LFMC
(AUM < S$1b)</td><td>• An FMC should have an independent compliance function with staff who are suitably qualified and independent from the front office.
• The FMC should, depending on the size and scale of the business, either:
(i) designate a senior staff independent from the front office (e.g. COO or CFO) to be responsible for compliance, or
(ii) demonstrate that there is adequate compliance oversight and support from an independent and dedicated compliance team at its holding company, or an overseas related entity.
• An FMC that does not have an independent and dedicated compliance function at its holding company or an overseas related entity may engage an external service provider to support its compliance arrangements. Where an external service provider is used, the FMC should ensure that the service provider is competent and familiar with the requirements for FMCs under the SFA and other regulations in Singapore. FMCs are encouraged to use service providers who are members of relevant professional bodies in Singapore and who are able to provide meaningful onsite presence at the FMC.</td></tr>
</table>

Category	Minimum Requirements
RFMC	• An RFMC should ensure that it has adequate compliance arrangements commensurate with the scale, nature and complexity of its operations. This may take the form of an independent compliance function, compliance support from overseas affiliates and/or use of external service providers that meet the requirements set out previously. • As with other FMCs, the CEO and directors of an RFMC are ultimately responsible for all compliance and regulatory matters.

Appendix 3

A3 Professional Indemnity Insurance [“PII”] for Retail LFMCs

Table A3-1 – Minimum PII Coverage

Category	AUM	Min PII	Remarks
Retail LFMC	< S$100m	S$2m	• Copy of PII to be submitted to MAS on an annual basis. • Amount of PII deductible should not exceed 20% of the FMC’s base capital.
	S$100m to less than S$200m	S$3m	
	S$200m to less than S$300m	S$5m	
	S$300m to less than S$400m	S$7m	
	S$400m to less than S$500m	S$9m	
	S$500m to less than S$600m	S$11m	
	S$600m to less than S$700m	S$13m	
	S$700m to less than S$800m	S$15m	
	S$800m to less than S$900m	S$17m	
	S$900m to less than S$1b	S$19m	
	S$1b to less than S$10b	S$21m	
	S$10b and above	S$25m	

Table A3-2 – Minimum PII Coverage

Feature	Coverage
Persons covered	The licensee and all of its representatives.
Areas to be covered	Baseline: (i) Breach of professional duty by FI or its representatives. (ii) Infidelity or dishonesty of the licensee, its employees, agents or contractors. (iii) Loss of documents evidencing title of assets belonging to customers. This list represents the minimum standards, and is not exhaustive. The licensee should also undertake its own analysis and obtain adequate PII coverage that is commensurate with the nature, scale and complexity of its business. The minimum amount applicable to a FMC, as set out in Table A3-1, should apply to each of the baseline items (i), (ii) and (iii) under the PII policy. Where a claim is awarded under a formal legal proceeding, the minimum limit of indemnity available for the settlement of claims to customers should be as set out in table A3-1. For instance, licensees may either obtain a PII policy where legal

	costs are paid in addition to the minimum limit of indemnity or by sufficiently increasing the level of cover to take legal costs into account.

- Letter of Undertaking - In lieu of a PII, MAS may consider a Letter of Undertaking with liability equal to or exceeding the minimum PII coverage from the FMC's parent company. However, the parent company must be of satisfactory financial standing.

- Alternative PII - MAS may consider alternative forms of PII if the FMC assesses that the interests of investors are not undermined and the following conditions are fulfilled:

Table A3-3 – Conditions for Acceptance of Alternative PII

Type	**Conditions**
Group PII	• Minimum coverage to be at least 5 times the required quantum under a standalone non-hybrid PII. • If the deductible of the Group PII is greater than 20% of the applicant's base capital, an undertaking from the applicant's parent company to cover the excess in the event of a claim would be required.
Hybrid PII	• Sub-limits to be set for the non-PII sections of the hybrid PII. • Total coverage under the hybrid PII less the sub-limits for the non-PII sections should be at least equivalent to the required quantum under a standalone non-hybrid PII.
Group Hybrid PII	• Sub-limits to be set for the non-PII sections of the Group hybrid PII. • Total coverage of the Group hybrid PII less the sub-limits for the non-PII sections has to be at least 5 times the required quantum under a standalone non-hybrid PII. • If the deductible of the Group hybrid PII is greater than 20% of the applicant's base capital, an undertaking from the applicant's parent company to cover the excess in the event of a claim would be required.

Appendix 4

A4 Notifications & Approvals

Submissions shall be made via CeL or the Representative Notification System (RNS) unless otherwise stated.

Table A4-1 – Notifications & Approvals

Category	Application / Notification	Via
LFMCs (Retail & A/I)	Seeking of approval for (i) appointment of a new director and/or CEO, or (ii) change in nature of the appointment, e.g. executive to non-executive director.	CeL
	Notification of the appointment of new, provisional or temporary representatives who wish to conduct regulated activities; and any subsequent changes to their particulars. **Note:** These representatives may commence the regulated activity only after their names have been published on the Public Register of Representatives.	RNS
	Notification of the cessation of an appointed representative in conducting regulated activity (to be done by the next business day).	RNS
	Notification of the resignation of a director and/or CEO (to be done within 14 days of the resignation).	Letter
	Notification of business cessation (to be done within 14 days of the cessation).*	Form 7
RFMCs	Notification of change of FMC's particulars (to be done within 14 days of the change).	CeL
	Application for CMS Licence in fund management if AUM is expected to exceed S$250m.	CeL
	Notification of business cessation prior to cessation*.	CeL

* In ceasing the regulated activity, the FMC shall discharge all customer obligations and account for and return all assets/moneys to its customers before its business is deemed to have ceased.

Appendix 5

A5 Periodic Returns

Table A5-1 – Periodic Returns for Fund Management Activities

Category	Frequency	Submissions	Via
LFMCs (Retail & A/I)	Quarterly (unaudited) Within 14 days of quarter end	SF(FMR)R Forms: **1** - Statement of Assets and Liabilities **2** - Statement of Financial Resources, Total Risk Requirement and Aggregate Indebtedness	MASNET
	Annually (audited) Within 5 months of financial year end	SF(FMR)R Forms: **1** – Statement of Assets and Liabilities **2** – Statement of Financial Resources, Total Risk Requirement and Aggregate Indebtedness **3** – Statement relating to the Accounts of a Holder of a CMS Licence **4** – Statement relating to the Accounts of a Holder of a CMS Licence – Supplementary Information **5** – Auditor's Report – For a Holder of a CMS Licence **6** – Auditor's Certification – For a Holder of a CMS Licence AND Audited financial statements (balance sheet and profit and loss statement) for the latest completed financial year	MASNET (except for Forms 5,6 and financial statements in hardcopy)
RFMCs	Annually Within 1 month of financial year end	SF(LCB)R Form: **25A** – Annual Declaration for RFMCs	CeL
	Annually Within 5 months of financial year end	SF(LCB)R Form: **25B** – Auditors Report for RFMCs AND Softcopy of audited financial statements (balance sheet and profit and loss statement) for the latest completed financial year.	

Appendix 6

A6 Documents Required for Licensing and Registration

Table A6-1 – Documents required for a Licence Application

Document	Description
Form 1A	Application for a CMS licence in fund management (Details of relevant professionals should be submitted in Annex A, unless they are representatives and/or directors of the FMC, in which case details should be provided in Form 3A or Form 11 instead)
Form 3A	Appointment of a representative
Form 11	Appointment of a director/ CEO
Other documents	• Signed declaration by applicant's directors (from Form1A); • Applicant's business profile as per the Accounting and Corporate Regulatory Authority's record; • Applicant's complete group shareholding chart; • Applicant's organisational chart with reporting lines; • Applicant's financial statements; and • Any other supplementary information deemed necessary.

Table A6-2 – Documents required for Registration as an RFMC

Document	Description
Form 22A	Registration lodgment
Other documents	• Signed declaration by RFMC's directors (from Form 22A); • RFMC's business profile as per the Accounting and Corporate Regulatory Authority's record; • RFMC's complete group shareholding chart; • RFMC's organisational chart with reporting lines; and • Any other supplementary information deemed necessary.

Appendix 7

A7 Requirements for Venture Capital Fund Managers

This Annex sets out the admission criteria, ongoing requirements and application procedures for FMCs that intend to operate under the Venture Capital Fund Manager ["VCFM"] Regime.

7.1 **Fund Eligibility** – Under the regime, a VCFM may only manage funds that meet the following criteria:

(i) invest at least 80% of committed capital (excluding fees and expenses) in securities that are directly issued by an unlisted business venture that has been incorporated for no more than ten years at the time of initial investment;

(ii) invest up to 20% of committed capital (excluding fees and expenses) in other unlisted business ventures that do not meet sub-criterion (i), i.e. they have been incorporated for more than ten years at the time of the initial investment, and/or the investment is made through acquisitions from other investors in the secondary market;

(iii) must not be continuously available for subscription, and must not be redeemable at the discretion of the investor; and

(iv) are offered only to accredited investors as defined under the SFA or investors in an equivalent class under the laws of the country where the offer is made, and/or institutional investors.

7.2 **Admission & Ongoing Requirements** – A VCFM needs to hold a CMS licence for fund management. All VCFMs should meet the following requirements at all times:

(i) Fit and Proper – Satisfy MAS that its shareholders, directors, representatives and employees, as well as the VCFM itself, are fit and proper, in accordance with the Guidelines on Fit and Proper Criteria issued by MAS [FSG-G01].

(ii) Place of Incorporation – Be a Singapore incorporated company that has a permanent physical office in Singapore.

(iii) Key personnel – Have at least two directors, at least one of whom should be full-time and resident in Singapore; and at least two full-time resident professionals and representatives, who may include the directors.

(iv) Disclosure – Disclose to investors that they are not subject to all of the regulatory requirements that are imposed on other fund management companies.

(v) Conflicts of interests – Avoid any conflicts of interest and, where such conflicts arise, ensure that they are resolved fairly and equitably.

(vi) AML/CFT Requirements – Comply with the requirements on anti-money laundering and countering the financing of terrorism ["AML/CFT"] requirements, as set out in the Notice to Capital Markets Service Licensees and Exempt Persons on Prevention of Money Laundering and Countering the Financing of Terrorism [SFA04-N02].

(vii) Periodic Returns – Submit periodic regulatory returns on changes to key appointments, AUM, investor types and numbers, fund types, and deals by geography and sector, as set out in Table A7-1.

Table A7-1 – Returns for VCFM's Fund Management Activities

Category	**Frequency**	**Submissions**	**Via**
VCFM	Annually Within 1 month of financial year end	Form 25A: Annual declaration for VCFMs	CeL
	Within 14 days of the change	Form 23A: Notification of change of VCFM's particulars	

7.3 **Applications** – Applicants seeking to be admitted under the VCFM Regime are to submit an application through the MAS' *Corporate Electronic Lodgment ["CeL"]* system.

Table A7-2 – Documents required for Admission as a VCFM

Document to be submitted	**Description**
Form 1V	Application for a CMS licence to operate as a VCFM
Other documents	• Signed declaration by VCFM's directors (from Form 1V); • VCFM's business profile as per the Accounting and Corporate Regulatory Authority's record; • VCFM's shareholding chart showing all immediate, intermediate and ultimate shareholders.

Updated on 3 July 2018