

RESPONSE TO FEEDBACK RECEIVED

September 2015

Response to Feedback Received – Proposals to Enhance Regulatory Safeguards for Investors in the Capital Markets

MAS

Monetary Authority of Singapore

Contents

1	Preface	3
	PART I: CAPITAL MARKETS REGULATORY SAFEGUARDS FOR INVESTORS IN NON- CONVENTIONAL INVESTMENT PRODUCTS	4
2	Non-conventional Investment Products	4
3	Characterisation of Buy-back Arrangements involving Precious Metals as Debentures	5
4	Characterisation of Collectively-Managed Investment Schemes as Collective Investment Schemes (“CIS”)	8
5	Next Steps.....	16
	PART III: REFINEMENTS TO NON-RETAIL INVESTOR CLASSES REGIME UNDER THE SFA AND FAA	17
6	Accredited Investors (AIs).....	17
7	Institutional Investors.....	34
8	Expert Investors.....	37
9	Next Steps.....	38

1 Preface

1.1 On 21 July 2014, MAS issued a consultation paper setting out a package of proposals to enhance regulatory safeguards for investors in the capital markets (“July 2014 Consultation Paper”). The proposals were divided into three parts:

- [I] Extend current regulatory safeguards in capital markets to investors in certain non-conventional investment products;
- [II] Enhance disclosure of relative complexity and risk of loss of investment products to investors through a standardised complexity-risk ratings framework; and
- [III] Refine non-retail investor classes under the Securities and Futures Act (“SFA”) and Financial Advisers Act (“FAA”), including the introduction of an “opt-in” regime for investors who meet certain wealth thresholds to choose to be treated as accredited investors.

1.2 The consultation closed on 1 September 2014. MAS would like to thank all respondents for their contributions. The list of respondents is in **Annex A**.

1.3 MAS has carefully considered the feedback received. MAS’ response to comments on *policy* proposals contained in Parts I and III of the July 2014 Consultation Paper that are of wider interest are set out in the sections below. The policy proposals will need to be implemented by way of amendments to the SFA. MAS will finalise our proposed *legislative* amendments and issue a separate response at a later date.

1.4 Feedback on proposals contained in Part II of the July 2014 Consultation Paper will require further study. MAS will separately publish its response to feedback received on these proposals.

PART I: CAPITAL MARKETS REGULATORY SAFEGUARDS FOR INVESTORS IN NON-CONVENTIONAL INVESTMENT PRODUCTS

2 Non-conventional Investment Products

2.1 In view of the evolving investment landscape, MAS proposed to extend its capital markets regulatory framework, underpinned by the SFA and the FAA to two types of non-conventional investment products which were in substance capital markets products:

- (i) Buy-back arrangements involving gold, silver and platinum (“precious metals”); and
- (ii) Collectively-managed investment schemes, being arrangements in respect of property that display all characteristics of a regulated collective investment scheme, other than the pooling of investors’ contributions.

2.2 Respondents were generally supportive of MAS’ proposals to enhance regulatory safeguards for investors in the above arrangements. Two respondents suggested MAS extend its regulatory perimeters to *all* investments which claim to provide a financial return, on the view that with MAS’ regulation, consumers would be protected from financial losses arising from product providers not delivering on their claims.

MAS’ Response

2.3 Investments can take many forms, and many commercial activities also claim to generate returns for consumers. It is therefore neither desirable nor practical for MAS to regulate all forms of investments, as this could disrupt well-established day-to-day *bona fide* transactions and commercial activities. As Singapore’s financial sector regulator, MAS’ regulatory focus extends only to financial products and services. We will hence proceed with only extending regulatory safeguards to investors in non-conventional investment products that are in substance capital markets products.

2.4 MAS’ regulatory framework aims to ensure that investors in the capital markets are provided with adequate information to make well-informed investment decisions, and are dealt with fairly by capital market intermediaries.¹ In the event of market

¹ See “MAS’ Objectives and Principles of Financial Supervision in Singapore”, available at <http://www.mas.gov.sg/~media/MAS/About%20MAS/Monographs%20and%20information%20papers/Objectives%20and%20Principles%20of%20Financial%20Supervision%20in%20Singapore%20revised%20in%20April%202013.pdf>.

misconduct by MAS-regulated financial institutions, investors may seek remedies through independent dispute resolution mechanisms as an alternative to court action. Investors in non-conventional investment products that are in substance capital markets products will enjoy the same protection.

2.5 We would like to highlight that all investments carry risks. MAS' regulations do not guarantee the performance of any investment or that investors will not lose money. Also, no amount of regulation can prevent fraud.² Ultimately, investors still need to exercise caution and evaluate the risks and features of any investment products or schemes offered, taking into account information available on these products or schemes, before parting with their money. MAS will continue to work with industry, schools, and other government agencies to enhance financial literacy among Singaporeans so that they can make sound financial decisions.

3 Characterisation of Buy-back Arrangements involving Precious Metals as Debentures

3.1 MAS proposed to prescribe buy-back arrangements which display the following characteristics as debentures:

- (a) **Buy-back structure** - Party A purchases gold, silver or platinum ("precious metals") from Party B for an agreed sum of money or money's worth, with Party B being under an obligation to re-purchase the precious metal back from Party A at a future time;³ and
- (b) **Debenture effect** - The purpose or effect of the arrangement is to enable Party A to receive a "financial benefit" from Party B⁴. The main risk that Party A is exposed to is the credit risk of Party B, and not fluctuations in market value of the asset.⁵

(The above arrangement will be referred to as the "prescribed arrangement" in this response paper.)

² It is an offence to operate a fraudulent or deceptive scheme. Where there is evidence of criminal wrongdoing, the Commercial Affairs Department, which is the principal white-collar crime investigation agency in Singapore, will take appropriate action.

³ For the avoidance of doubt, it is not necessary for Party A to take physical possession of the precious metals under the arrangement as long as there is a transfer of legal title.

⁴ Examples of arrangements where MAS did not consider there to be a "financial benefit" were set out in paragraph 2.9 of Part I of the July 2014 Consultation Paper. Such arrangements would include ordinary trading contracts and sale and lease-back arrangements

⁵ The re-purchase price is to be agreed upon at the start of the arrangement, and Party A will effectively only have to bear the market risk of the asset if Party B defaults on its obligation to re-purchase the asset at the agreed price.

3.2 The regulatory regime for debentures under the SFA and FAA would consequently extend to the prescribed arrangement. Offers of the prescribed arrangement would need to be made with a MAS-registered prospectus and persons dealing in or advising others concerning the prescribed arrangement would need to be licensed by MAS, unless an exemption applies.

(i) Scope of regulation

3.3 On the proposed scope of regulation to precious metals buy-back arrangements, several respondents suggested that MAS also prescribe buy-back arrangements involving the following underlying assets as debentures:

- (a) palladium, which could arguably also be comparable to financial assets; and
- (b) precious stones, given their relatively high value and possible attractiveness to retail investors.

A few respondents suggested extending the scope to all buy-back arrangements regardless of the underlying assets, to pre-empt the evolution of such arrangements to escape MAS' capital markets regulation.

3.4 Conversely, a number of respondents suggested narrowing the proposed scope to arrangements where funds were being solicited from individual retail investors. This was to avoid disrupting *bona fide* commercial financing activities between corporates, which may involve buy-back arrangements on precious metals as collateral (e.g. commodity repos). One respondent also cautioned against disrupting Islamic financing transactions, which could be structured as a sale and repurchase transaction to be in compliance with Sharia law.

MAS' Response

3.5 MAS will maintain the proposal to limit the scope of regulation to buy-back arrangements involving precious metals. Precious metals are widely regarded as comparable to financial assets, and are more likely to gain acceptance by investors as collateral in an investment arrangement. Regulating only buy-back arrangements involving precious metals would also avoid disrupting legitimate commercial activities. Nonetheless, MAS would reserve powers to prescribe buy-back arrangements involving other forms of underlying assets should the way these are bought and sold evolve to become more akin to trading in financial instruments.

3.6 To ensure that commercial financing activities involving precious metals are not adversely impacted, MAS agrees to exclude such arrangements from regulation,

regardless of whether the lender is a corporation or a natural person. Specifically, arrangements where Party A⁶ is in essence providing funds to Party B in its ordinary course of business or incidental to its ordinary course of business will be excluded. This includes situations where Party A is in the business of providing financing to other persons, or Party A is in the business of trading in precious metals and enters into the buy-back arrangement incidental to their trading business.

3.7 MAS notes that depending on how they are structured, some Islamic debt financing arrangements may already be subject to MAS' regulatory regime for debentures. If so, there would be no overlap with the prescribed arrangement, which is intended to cover buy-back arrangements involving precious metals that are not currently regulated as debentures. To the extent that the person providing the financing is doing so as part of his ordinary business (e.g. an Islamic bank), the exclusion described at paragraph 3.6 would also ensure that such arrangements are not inadvertently disrupted by the prescribed arrangement.

(ii) Extension of Regulatory Regime for Debentures to Prescribed Arrangements

3.8 One respondent opined that extending the current regulatory regime for debentures to prescribed arrangements would effectively limit entry to established or incumbent issuers, which may be anti-competitive. As such, the respondent suggested for less onerous regulatory requirements to be applied to the prescribed arrangements.

MAS' Response

3.9 MAS disagrees that the prescribed arrangements should be subject to lower regulatory requirements than traditional debentures, given that both are similar in substance. There are available exemptions⁷ provided under the debenture regulatory regime which aim to strike a balance between safeguarding interests of debenture holders and funding needs of debenture issuers. These take into account the size and scale of the activities conducted, as well as the type of investors. MAS will therefore proceed with the extension of the debenture regulatory regime to the prescribed arrangement.

⁶ Being the party that buys precious metal from another party (Party B), on terms that Party B will buy-back the precious metal at a later date. In the meantime, Party B would have use of the funds received from Party A from the sale of the precious metal to Party A. This amount will effectively be repaid with interest when Party B buys-back the precious metal from Party A at a later date.

⁷ For example, there are available exemptions for small offers (less than S\$5 million raised in any 12 month period), private placements (less than 50 investors in any 12 month period), minimum investment amount of S\$200,000 and offers to accredited and institutional investors.

4 Characterisation of Collectively-Managed Investment Schemes as Collective Investment Schemes (“CIS”)

4.1 The current CIS definition covers arrangements in respect of property that satisfy all the following elements:

- (a) Participants have no day-to-day control over management of the property (“**control**” limb);
- (b) Property is managed as a whole by or on behalf of the scheme operator (“**management**” limb);
- (c) Participants’ contributions and profits or income of the scheme from which payments are to be made to the participants are pooled⁸ (“**pooling**” limb); and
- (d) Purpose or effect (or purported purpose or effect) of the arrangement is to enable participants to participate in profits arising from the scheme property (“**purpose**” limb).

Specific arrangements, such as employee share schemes and franchise arrangements, are excluded from the CIS definition.⁹

4.2 MAS proposed to also regulate collectively-managed investment schemes that meet all elements of the CIS definition, apart from pooling of participants’ contributions, as CIS. This was to achieve greater consistency in the regulatory treatment of arrangements which were in substance “collective” investments and which pose essentially the same risks to investors in CIS that are currently within the regulatory ambit of the SFA.

(i) Pooling of profits not essential for arrangement to be considered a CIS

4.3 Several respondents sought clarity on whether MAS intended to require pooling of profits to be established in order for an arrangement to be considered a CIS, as the proposed CIS definition (at Annex 1 of the July 2014 Consultation Paper) indicated that it would not be a necessary element to establish.

4.4 Respondents also queried whether the words “participate in profits” in the “purpose limb” indicate that in order for the limb to be met, participants must get their

⁸ In the July 2014 Consultation Paper, this was separated into two elements – pooling of contributions and pooling of profits - for explanatory purposes. These appear in the same limb in the existing CIS definition.

⁹ Refer to section 2(1) of the SFA for the full CIS definition.

returns from pooled profits arising from the arrangement. In particular, they enquired if an arrangement where the scheme is managed by a manager but participants only receive the profits allocated to the participants' respective interest in the scheme property (i.e. non-pooled profits) would be considered a CIS.

MAS' Response

4.5 MAS' intent is to extend capital markets regulatory safeguards to investors in arrangements which are in substance investments made and managed on a collective basis and hence pose similar risks to investors as traditional CIS. In particular, a number of such schemes currently avoid regulation as a CIS by offering investors direct legal title to individual assets i.e. no pooling of investors' contributions. Nonetheless, investors' assets are effectively managed collectively by a third party such that their payoff is the same as the payoff that they would have obtained had their contributions been pooled.¹⁰

4.6 As an extension of this, MAS notes that it is possible for schemes to also allocate profits to investors based on their individual legal title to assets (i.e. no pooling of profits). Where investors' assets are similarly managed as a whole for the collective benefit,¹¹ the lack of physical pooling of contributions and profits of the scheme should not preclude the arrangement from being properly characterised as a CIS.

4.7 Accordingly, no pooling of investors' contributions or the profits of a scheme is necessary for a scheme to be caught as a CIS. MAS will move to amend the CIS definition such that the "management" limb will be an alternative limb to the "pooling" limb. The two limbs are to be assessed independently of each other, and the absence of the pooling of contributions or profits will not preclude a finding that there is management as a whole (see paragraphs 4.21 to 4.23 below). This characterisation of schemes as CIS is consistent with the position taken in the United Kingdom and Hong Kong. For the remainder of this response paper, the term "collectively-managed investment schemes" will refer to arrangements which meet all elements of the existing CIS definition other than the "pooling" limb.

4.8 MAS also wishes to clarify that the "purpose limb" does not require investors to derive their returns from pooled profits. Therefore, in a scenario where the participants

¹⁰ As an example, a scheme that gives individual legal title to each room in a hostel to a different investor, but allocates the rooms in such a way that all the rooms are equally utilised would be no different economically from the scenario where the investors' contributions were pooled and the hostel purchased by that pool. Contrast this to the scenario described in paragraph 4.24 below.

¹¹ The "benefit" contemplated here is the right to participate in profits arising from the scheme property.

have the right to receive returns from non-pooled profits, the arrangement would be considered a CIS provided the control and management limbs are met.

(ii) Scope of regulation

4.9 With the removal of the pooling limb as a necessary element to establish a CIS, some respondents queried whether the following arrangements would be caught as a CIS and if so, requested that MAS specifically carve out such arrangements from the CIS definition:

- (i) *Discretionary investment management arrangements*, where an investor grants discretionary¹² authority over certain assets to a third-party manager. For efficiency purposes, managers may manage assets from separate investor accounts which choose the same investment strategy collectively.
- (ii) *Debentures*, such as structured notes and exchange-traded notes, where interest payments reference underlying assets. The debenture issuer may purchase the underlying assets using monies received from investors to hedge its financial obligations under the debenture. Such assets would similarly be managed on a collective basis, and amounts paid out to investors may be paid out of monies arising from the underlying assets.

4.10 One respondent also requested for the proposed scope of regulation to be confined to collectively-managed investment schemes where participants are retail investors.

MAS' response

4.11 MAS' intent in expanding the CIS definition is to capture collectively-managed investment schemes which are currently not subject to capital markets regulation under the SFA and FAA, without disrupting the current regulatory regime surrounding regulated capital markets products and activities.

4.12 Specifically, segregated discretionary investment management accounts which fall under the regulated activity of "fund management" will not be regarded as a CIS, notwithstanding that the manager may manage assets for multiple investor accounts together as a matter of convenience. It is also not MAS' intent to subject structured

¹² This is distinguished from non-discretionary managed accounts, where an investor retains effective control over assets in the account and disbursements from the account. The manager's role is only to recommend specific trades and strategies to the investor, which the investor has the discretion to accept or reject. Such arrangements would not satisfy the "control" limb to be considered a CIS, and a specific exclusion would not be necessary.

notes and exchange-traded notes, which are currently regulated as debentures, to the CIS regulatory regime. MAS will consider providing specific exclusions for clarity when finalising the legislative amendments to the CIS definition.

Retail investors

4.13 Products regulated under the SFA are defined in accordance with the features of the products that take on a capital markets product element. As mentioned in paragraph 4.2, the proposed extension of the CIS definition to collectively-managed investment schemes is to ensure that arrangements which are in substance capital markets products are regulated as such. The similarity to capital markets products exist regardless of whether such schemes are offered to retail investors, or to other classes of non-retail investors. Accordingly, MAS' intent is not to exclude arrangements where participants are solely non-retail investors from the CIS definition.

4.14 Moreover, the existing regulatory framework for the offer of CIS already provides exemptions for schemes which target non-retail investors.¹³ In availing themselves of such exemptions, these schemes will also need to comply with the conditions of the respective exemptions.

(iii) Interpretation of CIS limbs

4.15 While MAS had not proposed to amend the individual limbs of the CIS definition, several respondents requested for additional guidance on the interpretation of the "management limb" given that it would be of greater importance under the revised CIS definition.

4.16 One respondent also requested MAS' confirmation that investors having contractual rights to elect not to use a particular scheme operator under an arrangement would mean that an investor has day-to-day control over management of scheme property, and the arrangement would consequently not be regarded as a CIS.

4.17 Another respondent queried if a scheme where the operator guarantees returns under the arrangements would fall out of the proposed CIS definition, since part or all of the investment returns may not arise from the scheme property, but from the scheme operator's guarantee instead.

¹³ For example, there are available exemptions from prospectus and authorisation requirements under Part XIII of the SFA for offers of units in a CIS to accredited investors and institutional investors.

MAS' Response

4.18 The respective limbs of the CIS definition should be interpreted in a way that promotes their purpose.¹⁴ The purpose is to safeguard the interest of investors who have contributed money or assets to an investment scheme under circumstances in which they have no day-to-day control of their investment because it is pooled or subject to collective management. As such, in assessing whether an arrangement is a CIS, regard should be given to the substance and reality of the arrangements and not merely the legal form that such arrangements take (i.e. “substance over form”).

4.19 Some guidance on MAS' intent in applying the respective limbs of the CIS definition is set out below. MAS will consider publishing additional guidance for greater clarity to the industry when the revised CIS definition comes into effect.

“Management” limb

4.20 Whether there is management “as a whole” will depend on the investment objectives of the arrangements and the collective or individual nature of the arrangements made in order to produce the intended profits.

4.21 For example, a scheme operator may provide rental agency services for a block of apartments with different owners, and investors can expect to earn profits or income from letting out their individual apartments. The investor is likely to make the main commercial decisions, such as choosing the tenant, the rental rate and rental period himself. The operator will possibly provide extensive management services collectively,¹⁵ but is likely to look after the essential profit-generating activity – letting the flat – under the instructions of, or at least in consultation with, the individual owner. Such situations would not be considered management “as a whole”. Instead, the operator acts as an agent for each of the owners of the units separately.

4.22 This is contrasted with a scheme where investors are led to expect profits from the management of the entire block of apartments as a hostel. In the latter case, the scheme operator would be the one making the main commercial decisions in running of the hostel (e.g. setting hostel room rates, allocation of guests to rooms), and is likely to do so without having regard to individual investors' interests or preferences. This is likely

¹⁴ See Interpretation Act (Cap. 1) section 9A. In addition, MAS notes that the courts in the United Kingdom have also taken a purposive approach in interpreting the CIS definition. Case law of common law jurisdictions is considered of persuasive authority to the Singapore courts under Singapore's legal system.

¹⁵ The agent may be responsible for the day to day running of the block and relationships with tenants, including the collection of rent, the arranging of repairs and insurance, cleaning and security.

to satisfy the “management” limb since common management would be *integral* to the success of the scheme in generating the expected profits.

4.23 Another example is an agricultural-type scheme, where the intended profit-generating activity is the agricultural activities carried out on a plot of land. Investors may own a specific plot of farmland and be entitled to profits arising from that particular plot of land only (i.e. no pooling of contributions and profits). Nonetheless, the land itself would yield nothing without the operator's management of the overall project, and management on an individual basis (including the ability to sell that particular plot of land on a standalone basis) is likely to be impracticable. While investors may be entitled to returns generated on their own specific plot of the land, the returns are generated as a result of the operators' management of the agricultural activities collectively on the land as a whole. Hence, the fact that there is no pooling of contributions and profits should not preclude the scheme from being a CIS.

“Control” limb

4.24 As explained in paragraph 4.18, it is the substance and reality of the arrangements entered into that matters. While investors may have contractual rights to elect to use another scheme operator, it is still necessary to look at whether investors do in fact exercise effective day-to-day control. MAS is of the view that for investors to be considered as having day-to-day control, they should have direct and on-going power to decide on operational matters relating to management of the scheme property. The right to appoint another scheme operator or to vote at unitholder's meetings, would not, on its own, be sufficient to constitute day-to-day control.

4.25 The greater the extent of reliance on the particular scheme operator's professed expertise in managing the scheme property, the less likely it is that investors have effective day-to-day control. Similarly, if expectations created between the parties in the arrangement are such that investors would not be involved in the day-to-day management of the property, having contractual rights to be consulted on or to give the manager directions from time to time will not be considered as effective day-to-day control.

“Purpose” limb

4.26 This limb is drafted broadly in the CIS definition, and extends to arrangements where the purpose *or* effect, *or* purported purpose *or* effect, of the arrangements is for investors to participate in profits arising from scheme property.¹⁶ Regardless of the legal

¹⁶ Whether by acquiring any right, interest, title or benefit in the property or any part of the property or otherwise.

form of an arrangement, a scheme which is marketed (i.e. purported purpose) to investors as arrangements in which they can expect rights to participate in profits arising from scheme property would satisfy this limb.

4.27 Further, as long as the purpose of the arrangements is for investors to participate in profits arising from scheme property, it does not matter whether eventual amounts they receive do in fact arise from the scheme property. MAS is hence of the view that a scheme operator guaranteeing returns that are intended to arise from scheme property should not preclude an arrangement from being a CIS.¹⁷ Investors should nonetheless bear in mind the risks that the scheme operator may not be able to fulfil its obligations under the guarantee.

(iv) Extension of CIS Regulatory Regime to Collectively-managed Investment Schemes

4.28 MAS proposed to extend the CIS regulatory regime to collectively-managed investment schemes. Schemes wishing to raise funds from general retail investors would first need to be authorised or recognised by MAS and register a prospectus with MAS, unless exempted. Schemes wishing to raise funds from accredited investors would need to submit a notification to MAS.¹⁸

4.29 To be authorised, schemes would need to comply with the Code on Collective Investment Schemes (“CIS Code”). In this regard, MAS expressed its intent to amend the CIS Code to allow for investments in precious metals which are widely comparable to financial assets.¹⁹ One respondent noted that most collectively-managed investment schemes involve investments in physical assets beyond precious metals, and it was doubtful that such schemes would be able to satisfy the CIS Code to be authorised for general retail offer. The respondent requested for MAS to consider a tailored regulatory framework for schemes which invest in undeveloped real estate in particular. Another respondent sought clarity on the criteria MAS would consider in deciding which investments were permissible under the CIS Code.

4.30 With respect to the licensing regime for scheme operators, MAS proposed to require operators of such schemes offered to retail investors to be regulated as licensed fund managers. Two respondents expressed doubt that any current collectively-

¹⁷ Depending on how the arrangement is structured, it may also be a debenture.

¹⁸ More information on the relevant procedures can be found in our Practitioner’s Guide: <http://www.mas.gov.sg/~media/MAS/Regulations%20and%20Financial%20Stability/Regulations%20Guidance%20and%20Licensing/Securities%20Futures%20and%20Fund%20Management/Regulations%20Guidance%20and%20Licensing/CIS%20Related/CIS%20practitioners%20guide.pdf>.

¹⁹ Proposed amendments to the CIS Code in this respect will be consulted on separately.

managed investment scheme operators would be able to meet the MAS' stringent regulatory requirements to obtain the requisite licence, and sought clarity on MAS' intent to revise its licensing criteria to promote market development.

4.31 Two other respondents requested MAS to delay implementation of the proposed regulation to avoid negatively affecting existing investors in collectively-managed investment schemes. One respondent opined that existing schemes should not be "grandfathered" when the new regulations take effect, to avoid legitimising such schemes.

MAS' response

4.32 MAS acknowledges that expanding the scope of the CIS regulatory framework may result in some schemes no longer being able to solicit funds from the general retail public. Operators of such schemes will however be able to rely on existing exemptions to solicit funds, such as from more sophisticated investors.²⁰ To facilitate the offers of such schemes in the non-retail space, MAS intends to exempt operators of CIS investing in physical assets that are offered solely to certain investors, including accredited and institutional investors, from licensing requirements.²¹

4.33 As MAS' intent is to align the regulatory treatment of collectively-managed investment schemes which are in substance similar to traditional CIS, MAS will proceed to extend the CIS regulatory regime to collectively-managed investment schemes. To date, MAS has generally only allowed CIS that invest in transferable securities to be offered to the retail public. MAS will develop specific rules in the CIS Code for schemes that invest solely in precious metals to be authorised for general retail offer, given that these assets are fairly liquid and are recognised as financial instruments, just as transferable securities are. As for schemes that invest in real estate, there are currently exceptions for such schemes to be offered to retail investors even though the underlying assets are generally illiquid, as the risk is mitigated by the ability of these assets to yield stable income on an ongoing basis. However, schemes that primarily invest in undeveloped real estate are still subject to high risks given the illiquid and speculative nature of undeveloped real estate. We will therefore disallow such schemes to be offered to the retail public.

²⁰ Exemptions include offers to accredited and institutional investors, investments through private placements (less than 50 investors in any 12-month period) and small offers (less than S\$5 million raised in any 12-month period).

²¹ Please refer to MAS' "Consultation Paper on Proposed Amendments to the SFA" (P004-2015) dated 11 Feb 2015 on proposed amendments to the SFA arising from the expansion of the SFA to regulate over-the-counter derivatives for further details.

4.34 On requests to delay implementation of proposed regulations so as not to adversely affect existing investors, MAS wishes to clarify that regulations will not have retrospective effect. In other words, the regulations will not apply to transactions entered into before the regulations come into effect. Existing investors can continue to hold on to their investments, and operators of existing schemes can continue to operate the scheme without the need to obtain a fund management licence from MAS. However, if the scheme operator wishes to raise fresh funds for existing or new schemes, the operator will have to ensure it complies with the new regulations, unless it can rely on an available exemption. This will ensure that existing schemes do not pose detriment to consumers by soliciting new funds under the guise of MAS' regulations.

5 Next Steps

5.1 As mentioned in paragraph 1.3, the proposals will need to be implemented by way of legislative amendments. MAS targets to finalise the proposed legislative amendments for tabling in Parliament in 2016. MAS will also consult on the proposed amendments to the CIS Code (as explained in 4.33) before the revised CIS definition is brought into effect.

5.2 MAS would like to take this opportunity to remind consumers seeking investments and financial services to check if entities they intend to deal with, or products they are interested in investing in, are regulated by MAS.²² The safeguards afforded under MAS' regulatory framework will not apply to consumers dealing with unregulated entities or products. In particular, consumers will have to rely on their general legal rights²³ to seek recourse, and where overseas investments and entities are involved, legal action may have to be taken in the overseas country.

²² MAS' *Financial Institutions (FIs) Directory* (<https://masnetvc.mas.gov.sg/FID.html>) contains an exhaustive list of financial institutions regulated by MAS and the regulated activities that they are authorised to provide. The *Offers and Prospectuses Electronic Repository and Access* (OPERA) portal (<https://opera.mas.gov.sg/ExtPortal/>) contains an exhaustive list of offers of securities for which prospectuses have been registered with MAS.

²³ In addition to any contractual rights they may have, the *Consumer Protection (Fair Trading) Act* administered by the Ministry of Trade and Industry, also provides consumers with rights to sue suppliers of products for unfair practices.

PART III: REFINEMENTS TO NON-RETAIL INVESTOR CLASSES REGIME UNDER THE SFA AND FAA

6 Accredited Investors (AIs)

(i) Opt-in Regime

6.1 Currently, an investor who meets the prescribed wealth thresholds will be automatically classified as an AI. Offerors of investments and financial institutions (“FIs”) who deal with AIs are able to rely on various exemptions under the SFA and FAA when serving them. MAS proposed to introduce an opt-in regime, where investors who meet the prescribed wealth thresholds (“AI-eligible investors”) will have to make a conscious decision to opt-in to be treated as an AI, bearing in mind the lower level of regulatory protection afforded to AIs.

6.2 Most of the respondents were supportive of MAS’ proposal to give AI-eligible investors choice as to their AI status. However, four respondents opined that an opt-in regime was not necessary as AI clients effectively opt-in to be treated as AIs during the account opening process. A few respondents also highlighted that notwithstanding a client’s AI status, FIs are still under legal duty to adhere to a client’s risk preference when recommending products to them. Investors should hence be allowed to choose their own risk profile instead of their level of regulatory protections.

6.3 Some also expressed concern on potential loss of business for FIs who are restricted by their licence conditions to work with non-retail investors only (“restricted FIs”). Two respondents also cautioned that existing AI investors may be unhappy with having to source for products and services from another FI, as the restricted FI may not be able to serve these clients anymore should they opt for retail status. In particular, one respondent raised doubts that any client would want to opt-in to AI status as the benefits of being an AI do not seem to outweigh the loss of regulatory safeguards.

MAS’ Response

6.4 While an investor’s agreement to open an account with an FI may be taken as an investors’ *de facto* consent to be treated as an AI, he may not be fully conscious of what this means in terms of his dealings with the FI. An investor who opened an account as a non-AI may also subsequently become an AI without his awareness of this change in classification. Should subsequent disputes arise, the investor would not be able to avail himself of regulatory safeguards afforded to non-AIs.

6.5 In relation to suggestions that investors should be allowed to choose their own risk profile instead of their level of regulatory protection, MAS is of the view that recommending products that accord with an investor's risk preference is a basic duty an FI owes to its client, regardless of that investor's classification under the SFA and FAA. This duty of care is but one way of safeguarding investors' interests; regulatory protections afforded to retail investors under the SFA and FAA provide further safeguards through setting out information that should be provided to, as well as enhanced requirements when dealing with, retail investors.²⁴ As wealth is only a proxy for financial sophistication, the opt-in regime will enhance investor protection by allowing an investor to choose a higher level of regulatory protection depending on his own needs, including his risk appetite.

6.6 MAS acknowledges that restricted FIs or FIs which are otherwise not set up to deal with retail investors could be affected as a result of the opt-in regime. However, it is for the FIs concerned to demonstrate their value proposition to their clients. Investors can then choose whether to opt-in as an AI with a particular FI to access a wider range of products or services that may not be distributed more broadly to the mass market. Experience in other jurisdictions which have given a similar choice to AI-equivalent investors (e.g. Hong Kong, and Europe) also do not support concerns that any loss would be significant, or that investors would be dissatisfied with the choice given.

6.7 On balance, MAS will proceed to introduce the opt-in regime. This will empower AI-eligible investors to choose the investor classification and associated level of regulatory protection that best accords with their individual circumstances, risk profile and investment needs. It will also avoid situations where an AI-eligible investor may be classified as an AI without his awareness or consent.

Scope of Opt-in Regime

6.8 To ensure fair and consistent treatment across AIs, MAS proposed for the opt-in regime to apply to *all* AI-eligible investors, including corporations. MAS further proposed that existing AI clients be required to actively opt-in to maintain their AI status with FIs, but FIs would be given a long 2-year transition period to obtain such confirmation.

6.9 Several respondents suggested excluding corporations from the opt-in regime. Alternatively, some respondents suggested considering an "opt-out" approach for corporations, where AI-eligible corporations would be treated as AIs unless they opt-out

²⁴ For example, FIs selling or distributing complex investment products to retail investors are subject to enhanced regulatory requirements. These include assessing the investor's relevant investment knowledge and experience, and providing them with suitable advice.

of such status. This would avoid creating situations where large corporations such as conglomerates and listed companies may be classified as non-AIs by choice or convenience, when conceptually, they should be well-placed to protect their own interests.

6.10 A large number of respondents highlighted the operational difficulties in applying the opt-in regime to existing AI clients. In particular, they raised concerns on potential interruption to their ability to continue serving existing AI clients in the event the clients do not respond to the opt-in request within the 2-year transition period.

6.11 Two respondents also sought clarity on whether restricted fund managers (“FMs”) currently permitted to serve investors who do not necessarily qualify as AIs or institutional investors under SFA but qualify under the laws of an overseas country in which the offer was made to them,²⁵ would be required to opt in too. Three respondents sought confirmation that FIs can continue to rely on other prospectus exemptions to offer restricted products to AI-eligible investors who do not opt in to AI status.

MAS’ Response

6.12 Having carefully considered the feedback received, MAS will proceed to apply the opt-in regime to all new²⁶ AI-eligible clients, including corporations. There are a wide range of corporations with varying sizes and *all* AI-eligible investors should be given the choice to determine their need for regulatory protection, regardless of their legal form. The opt-in procedure for new AI-eligible clients (including corporations) can be worked into the offering / account opening process, and would better achieve our policy objective of ensuring that clients make a conscious decision to be treated as AIs.

6.13 However, in view of operational difficulties highlighted by respondents, MAS agrees to provide for an opt-out approach for an FI’s existing AI clients. FIs will nevertheless have to notify existing AI clients that:

- (i) the client has been assessed to meet prescribed wealth thresholds²⁷ and are hence considered an AI;
- (ii) the client has a right to opt out of AI status under MAS’ new rules;

²⁵ This is set out in paragraph 5(3) of the Second Schedule to the [Securities and Futures \(Licensing and Conduct of Business\) Regulations](#).

²⁶ This refers to AI-eligible clients who the FI does not have an existing relationship with before a cut-off date (when the opt-in regime is introduced).

²⁷ Please see the section on “Transitional Arrangements” for existing AI clients who do not meet the revised AI-eligibility criteria.

- (iii) if the client does not opt out of AI status, the FI is exempt from complying with certain regulatory requirements when dealing with him;²⁸ and
- (iv) if the client opts out of AI status, the FI may not be able to continue dealing with him but his existing investments with the FI would not be affected (where applicable).

6.14 The opt-out notification should be accompanied by a form which the client can complete and return to the FI to opt out of AI status (“opt-out confirmation”). As a safeguard for existing individual AI clients, MAS will also require FIs to obtain the clients’ acknowledgement of their AI status and acceptance of the implications of such status at the next account review.

6.15 With regard to restricted FMs, their ability to serve investors who qualify as AIs under the laws of other countries would not be affected. Similarly, FIs can still rely on other available exemptions in the SFA and FAA to serve AI-eligible clients who do not opt in to AI status (e.g. minimum S\$200,000 investment amount for prospectus exemptions).

Opt-in process

6.16 The proposed opt-in process, which may be initiated by the FI or the client, was as follows:

- (i) FIs to provide clients assessed as being AI-eligible with a written notification setting out their right to request for AI status and a clear description and warning of the regulatory safeguards that will be dis-applied if they opt in to AI status (“opt-in notification”); and
- (ii) Client to confirm in writing to the FI (in a separate document) that he wishes to opt-in to be an AI and acknowledges that he understands and accepts the consequent reduction in regulatory safeguards (“opt-in confirmation”).

6.17 A few respondents sought clarity on whether restricted FIs or offerors relying on prospectus exemptions for offers to AIs would be in breach of regulations if they approach AI-eligible investors (who would be “non-AIs” by default) to introduce their services or products.

6.18 A number of respondents queried the need for the opt-in confirmation by the investor to be a separate document from the opt-in notification from the FI. One respondent suggested the opt-in confirmation be incorporated into account opening

²⁸ The exemptions that are available to the FI should similarly be clearly explained in plain language.

forms to avoid clients having to sign multiple documents. A few respondents asked if verbal or email confirmations would be acceptable.

6.19 Two respondents sought greater clarity on what would be considered a “clear description” of the regulatory safeguards that may be dis-applied if a client opts-in to AI status. Related to this, several respondents requested MAS to prescribe the form and format of both documents for standardisation across the industry.

MAS’ Response

6.20 As is currently the case, restricted FIs and offerors can make contact with potential investors in order to verify that they meet the relevant AI criteria before making any offers of investment products or providing any financial services to the clients. With the introduction of the opt-in regime, restricted FIs and offerors can continue to approach potential investors to ascertain their AI-eligibility, with an added step of obtaining their “opt-in” to AI status before further dealing with the investor.

6.21 MAS had proposed for the opt-in notification and opt-in confirmation to be in separate documents so that investors can retain the notification document (which explains the implications of being treated as an AI) after they submit the opt-in confirmation to the FI. To minimise paperwork, MAS agrees that these can be combined into a single document if a copy of the opt-in notification is otherwise made available to the investor.²⁹ Similarly, verbal and email confirmations are permissible provided that these are appropriately recorded and documented.

6.22 However, to ensure that any opt-in to AI status is given due consideration, “opt-in” documentation should remain separate from account opening forms which can be voluminous. Both sets of documents can nonetheless be given to a client at the same time during the account opening process.

6.23 MAS will not be prescribing standard opt-in documentation as the implications for an AI-eligible investor who opts in to be an AI will differ between FIs. This will provide the industry with flexibility to develop templates to adapt to the FIs’ own communications approach with their clients. Individual FIs are responsible for ensuring that templates adopted are representative of their dealings with AI clients and clearly

²⁹ For example, a copy can be sent to the investor via email.

explain the firm's procedures for processing requests for a change in investor classification.³⁰

6.24 To empower clients to make an informed decision as regards their AI status, descriptions of regulatory safeguards that may be dis-applied should be in plain language and explained in practical terms to the client.³¹ Industry associations may wish to develop a set of common descriptions that member FIs can then use in their opt-in documentation. Clients should also be made aware that once they opt-in to AI status, the regulatory safeguards will be dis-applied in respect of all accounts they hold with the FI (see paragraph 6.31). If the FI is no longer able to serve the client as a result of a change in investor classification, this should also be highlighted.

Parties involved in Opt-in process

6.25 A number of respondents sought clarity on whether an FI would be responsible for obtaining the opt-in confirmation if it only has an indirect relationship with end-investors. Examples cited include FIs who adopt a third-party distributor model, and FIs who route all contact with clients through external asset managers after the initial on-boarding stage.

6.26 Several respondents also queried whether a person who acts as a Power of Attorney ("POA") or has been appointed as an authorised signatory for an AI-eligible investor can opt in to AI status for the investor. Some respondents also asked whether it would be necessary to obtain opt-in confirmations from AI shareholders in the case of corporations who are AI-eligible based on their shareholders being AIs.

MAS' Response

6.27 The onus is on FIs who wish to rely on AI exemptions when dealing with an investor, directly or through a third party intermediary, to obtain the investors' opt-in (i.e. consent) to be treated as an AI. FIs can delegate the process of obtaining the investors' consent to a third party, but they should have appropriate arrangements in place to ensure that this has been duly obtained. This is no different from the current position where such FIs would need to have processes in place to ensure end-investors meet AI thresholds.

³⁰ This should cover procedures for opting in to AI status (e.g. expected time taken to process opt-in confirmation, notifying client once processing is complete), as well as client's right to opt out of AI status at any time and the procedures for this.

³¹ In particular, FIs should not provide references to legal provisions without an accompanying explanation of what dis-application of the provision means for the client.

6.28 FIs should obtain the opt-in confirmation from the party that is authorised to execute transactions on behalf of the investor. Nonetheless, to ascertain AI-eligibility, FIs should look at the AI-eligibility of the investor himself and not the POA / authorised signatory.³² For corporations that are AI-eligible because their shareholders are AIs (“look-through approach”), FIs need only obtain opt-in confirmation at the corporation level and not at the shareholder level.³³

AI Status on Per FI Basis

6.29 MAS proposed for an investor’s AI status to be held on a per FI³⁴ basis – i.e. an AI-eligible investor can opt in to AI status with one FI, but remain as a non-AI with another. Three respondents commented that this flexibility can be subject to abuse by investors who may choose AI status with one FI to access restricted products, but non-AI status with another to get regulatory protections. They recommended that an investor’s AI status instead be applied across all FIs (“investor basis”), and that MAS maintain an “AI registry” for this purpose. On the other hand, one respondent commented that investors should be given greater flexibility to choose AI status in respect of different accounts within an FI (“account basis”).

6.30 One respondent queried if a client can be treated as a non-AI for personal accounts with an FI, but opt-in to AI status in respect of corporate accounts.

MAS’ Response

6.31 MAS will proceed with its proposal for AI status to be held on a per FI basis. An investor’s decision to be treated as an AI will vary depending on the relationship he has with each FI. This decision could be affected by various factors such as an investors’ comfort level with a particular FI as well as the intended nature of their investment transactions with the FI.³⁵ Investors should hence have the flexibility to choose their AI status with *each* FI. This would also provide greater clarity for both parties as to the regulatory requirements that apply in respect of their dealings.

³² The POA / authorised signatory need not be AI-eligible in his own right to opt in to AI status for the AI-eligible investor. Conversely, where the POA / authorised signatory is AI-eligible but the investor they are acting on behalf of is not, they would not be entitled to opt in to AI status for the investor.

³³ This clarification extends to other persons that are AI-eligible based on a “look-through” approach (e.g. trustees of a trust where all beneficiaries are AIs).

³⁴ This refers to an FI on a legal entity basis. Different business segments within the same legal entity will be considered as one FI.

³⁵ For example, an AI-eligible investor may choose non-AI status with an FI to invest in derivative products which he may desire regulatory safeguards for, and AI status with another FI for ordinary securities trading.

6.32 MAS considered giving investors even greater flexibility to choose to be AIs in respect of different products and markets within an FI. However, this would be operationally more difficult for FIs to monitor, and could hinder FIs' ability to provide holistic advice to clients based on their portfolio across accounts with the FI.

6.33 Also, an investor acting on his own account (i.e. personal basis) should be distinguished from an investor acting on behalf of another (e.g. corporate accounts, or trustee of a trust). Where an investor has opted-in to be an AI on behalf of a corporate entity, this AI status would extend to all accounts the corporation has with the FI. However, the FI would need to obtain a separate opt-in before treating the investor as an AI in respect of his personal accounts.

Change in investor classification

6.34 Consistent with MAS' intent of giving investors flexibility to choose the level of regulatory protection best suited to their individual needs, investors are to be able to move between investor classifications at any time. The relevant investor classification would be at the point an investor entered into an investment transaction with the FI,³⁶ and FIs should have systems in place to track this in case of subsequent disputes.

6.35 A number of respondents suggested MAS limit the number of times an investor can change its classification within a specified period (e.g. no more than twice a year), or impose a minimum period during which an investor must remain in an investor class (e.g. after opting-in to AI status, to impose a one-year minimum period before the investor can opt-out of AI status). They expressed concern that not doing so would place undue stress on FIs systems and infrastructure, most of which were currently not capable of monitoring and recording the AI status of investors when transactions are entered into. Two respondents also highlighted that a reasonable time period should be given for FIs to process investors' requests for a change in their classification and terminate business with the investor if necessary.

6.36 For the purposes of determining the relevant investor classification, a few respondents queried whether the following would be considered as a single transaction:

- (i) products with long tenors which require additional transactions to be undertaken on a regular basis during the life of a contract;
- (ii) drawdown notices issued on a product; and
- (iii) reinvestment of dividends received.

³⁶ An FI would not need to retrospectively apply retail regulatory protections (e.g. conduct a suitability assessment in accordance with FAA requirements) to an investor who has converted to non-AI status in respect of an existing investment.

MAS' Response

6.37 With fast-paced financial markets and constant product innovations, investors are best placed to decide the appropriate investor status according to their individual needs for regulatory protections. As such, MAS does not consider it appropriate to limit investors' choice in this respect. In any case, an AI-eligible investor who opted in to AI status and subsequently opts out would not be able to benefit from regulatory safeguards in respect of past transactions as an AI.

6.38 With regard to operational concerns, there would be an adequate transition period provided for FIs to upgrade their systems and infrastructure (see section on "Transitional Arrangements"). Ultimately, FIs wishing to rely on AI exemptions from regulatory requirements when dealing with an investor should have adequate systems in place to track the date that transactions are entered into and an investors' classification at that point in time.

6.39 MAS acknowledges that FIs would need time to process investor's requests to change their investor classification. FIs should determine what is reasonable in light of their own internal processing capabilities, and communicate this clearly to clients in opt-in / opt-out forms to manage their expectations. Clients should also be duly notified once their request is successfully processed. Termination of dealings with clients who opt to be non-AIs (where relevant) should be handled in accordance with FIs current processes for dealing with clients who no longer meet AI thresholds.

6.40 To determine what constitutes a single transaction, it is necessary to consider when the investor makes the decision to deal with the FI. Where an investor enters into a contract under which he is obligated to purchase additional investments or make additional payments upon the FIs request at a future time, these additional investments or payments would be considered part of the same transaction. The relevant investor classification should hence be at the point that the initial contract was entered into. On the other hand, where an investor receives dividends on an existing investment and subsequently decides³⁷ to reinvest it (i.e. by purchasing additional shares), this will be considered a second transaction and the applicable investor classification would be at the point when the reinvestment was made.

³⁷ This is distinguished from dividend reinvestment plans, where the decision for dividends to be reinvested is made at the point where the investor enrolls in the plan (e.g. the investor gives the FI a standing instruction for any dividends received to be reinvested).

Recordkeeping and Monitoring Obligations

6.41 Some respondents queried if a client's opt-in to AI status must be reviewed every two years and if clients would be required to provide a new written "opt-in" confirmation during the periodic review.

MAS' Response

6.42 As is currently the case, FIs who serve AIs are expected to monitor if an investor continues to meet AI thresholds. In addition, FIs are already required under the Notice on Prevention of Money Laundering and Countering the Financing of Terrorism to have processes in place for periodic account reviews. The review of an investor's consent to be treated as an AI can be worked into these existing processes. It would not be necessary to obtain a new opt-in confirmation during such reviews. However, FIs should minimally remind clients of their AI status and their right to opt-out of such status at any time. There should also be proper documentation of clients' requests to opt-out of their AI status.

(ii) AI-eligibility Criteria

Individuals

6.43 Currently, an individual qualifies as an AI if his net personal assets exceeds S\$2 million ("net personal assets test"), or his income in the preceding 12 months is not less than S\$300,000 ("income test").

6.44 For the net personal assets test, MAS proposed to modify it such that net equity of an individual's primary residence³⁸ can only contribute up to S\$1 million ("S\$1 million cap") of the S\$2 million threshold.

6.45 A number of respondents agreed with the intent of the S\$1 million cap. However, several respondents suggested using alternative methods (e.g discounting first S\$2 million of net equity; capping at 50% of net equity) to avoid unduly penalising investors with high value primary residences. Others highlighted that the \$1 million cap could create inconsistent treatment with other illiquid assets such as CPF monies and suggested that it may be more appropriate to base an individual's AI-eligibility on

³⁸ This refers to the home where the investor lives in the most of the time. This can be located in Singapore or overseas.

whether he has S\$1 million in financial assets ("financial assets test"). Such investors were currently considered "high net worth individuals" (HNWI)³⁹.

6.46 In determining net equity of an individual's primary residence, two respondents highlighted difficulties and costs in assessing this for overseas properties. Several respondents sought guidance on the types of documentation that can be relied upon for this purpose and whether it would be sufficient for FIs to rely on an individual's self-declaration. Four respondents queried how jointly-owned properties should be treated.

MAS' Response

6.47 AIs are afforded a lower level of regulatory safeguards as they are presumed to have the relevant means to seek professional advice to protect their own interests. This includes being financially capable of seeking their own legal recourse and bearing the associated costs. Allowing an individual to be AI-eligible solely based on the net equity of his primary residence raises questions both on his ability to use his "wealth" to obtain professional advice before investing, as well as social concerns if he needs to use such "wealth" for potentially costly legal action. MAS will therefore proceed to introduce the S\$1 million cap for the net personal assets test.

6.48 MAS agrees that there is merit in suggestions to include a financial assets test in the AI definition as an alternative to the net personal assets test. Having both tests would give FIs added flexibility in assessing an investor's AI-eligibility,⁴⁰ and minimise impact on specialised private banking units currently serving such investors when exemptions under FAA section 100(2) are removed. Investor protection would not be unduly compromised since AI-eligible investors would ultimately still have to consciously opt in to AI status and accept the consequent reduction in regulatory safeguards.

6.49 However, to avoid situations where investors borrow to meet the financial assets thresholds, MAS will introduce this test on a "net" basis – i.e. S\$1 million financial assets excluding related liabilities ("net financial asset test"). FIs should collect adequate information on an investor's liabilities to ascertain which are related to their financial assets. Examples of related liabilities include a margin account and credit lines taken to

³⁹ See *Guidelines on Exemption for Specialised Units Serving High Net Worth Individuals Under Section 100(2) of the FAA* [FAA-G07].

HNWI includes an individual who has a minimum of S\$1 million of assets (or the equivalent in foreign currencies), in (i) bank deposits, including structured deposits, (ii) capital markets products; (iii) life policies; and (iv) other investment products as MAS may prescribe.

⁴⁰ The net personal assets test is still relevant for an individual who prefer to invest his wealth in investment properties. The full net equity of these properties (as distinguished from the individual's primary residence) can be taken into consideration in determining whether the individual meets the S\$2 million threshold.

finance an investment portfolio. Mortgages on real estate or car loans would not need to be included, since real estate and cars are not considered as financial assets.

6.50 FIs should obtain independent documentary proof to ascertain an individual's AI-eligibility, including net equity in an individual's primary residence or value of overseas properties. However, a self-declaration by the investor does not constitute independent documentary proof. FIs are ultimately responsible for determining whether an investor meets the AI definition if it wishes to rely on regulatory exemptions when dealing with AIs. The extent to which jointly-owned property can be included in the calculation of an individual's net personal assets will turn on the application of general property laws to the facts of each case,⁴¹ as is currently the case.

Joint Account Holders

6.51 MAS proposed to allow for any individual, who holds a joint account at an FI with an individual who is an AI, to be AI-eligible, but only in respect of transactions entered into with or through the FI using the joint account ("joint account limb"). As a safeguard for non-AI account holders, *all* joint account holders would need to opt-in to be AIs in respect of the joint account.

6.52 One respondent disagreed with this proposal, commenting that being in a joint account with an AI does not change an investor's intrinsic characteristics and should not justify the person being afforded a lower regulatory protection. Two respondents queried if this limb would cause concerns in situations where one joint account holder is mentally incapacitated or does not have a "meaningful relationship" with the AI account holder (e.g domestic helper).

6.53 On the flipside, two respondents commented that common law principles of joint tenancy should apply to joint accounts, and non-AI account holders should not be required to opt in to AI status if the AI-eligible account holder has already done so. Several respondents also requested for a similar concept to be allowed for corporations and trusts where only one shareholder or beneficiary is an AI.

6.54 One respondent sought MAS' confirmation that an FI would be able to market non-retail products to the non-AI who has opted-in to be an AI in respect of a joint account. Two respondents queried whether transactions out of a joint account must be authorised by the AI-investor or if any of the joint parties (including the non-AI investor) can give such instructions.

⁴¹ For example, whether the property is held in joint tenancy or as tenants-in-common, and whether individuals can be presumed to hold the property in equal undivided shares or otherwise.

MAS' Response

6.55 MAS is of the view that having all joint account holders make a conscious decision each to opt in to AI status addresses concerns that the joint account proposal may compromise investor protection for non-AI joint account holders. Any potential detriment to the non-AI account holders would further be limited as non-retail transactions can only be made out of that joint account.⁴² If there is reason to suspect that an account holder is not exercising an independent decision, FIs should take this into consideration in assessing whether to accept a non-AI account holder's opt-in confirmation.

6.56 For a non-AI account holder to be eligible to opt-in for AI status in respect of a joint account, (i) at least one joint account holder must be an AI, and (ii) *all* joint account holders must opt-in to be treated as AIs in respect of the joint account. If the AI joint account holder ceases to be eligible as an AI, or any joint account holder ceases to opt-in to be treated as an AI, the non-AI account holder will also cease to be eligible to opt-in for AI status in respect of the joint account.

6.57 FIs will be able to market AI products to individuals who opted in as AIs by virtue of holding a joint account with an AI-eligible individual, but only as a holder of that joint account. FIs should explicitly highlight this restriction to joint account clients in their marketing materials. FIs are expected to put in place policies and procedures to administer this. In relation to queries on the party who can give instructions for transactions out of joint accounts, as is currently the case, the party that is authorised to execute transactions for the joint account depends on the terms of the joint account.

Removal of FAA section 100(2) exemptions

6.58 The joint account limb replicates the flexibility currently given to private banks ("PB") to service non-AI clients who are "connected" to the PBs' main AI client through exemptions granted pursuant to section 100(2) of the FAA ("PB exemptions").⁴³ As such, MAS indicated its intent to remove the PB exemptions with the introduction of the joint account limb. PBs would continue to be able to rely on AI exemptions when serving clients who are AI-eligible and have opted in to AI status.

6.59 One respondent requested that MAS retain the PB exemptions as PBs already abide by the Private Banking Code of Conduct ("PB Code") which sufficiently safeguards

⁴² The FI will need to treat all other accounts the non-AI holds with the FI as a non-AI, and accord him with non-AI regulatory protections.

⁴³ See Guidelines on Exemption for Specialised Units Serving High Net Worth Individuals Under Section 100(2) of the FAA [Guideline No. FAA-G07].

clients' interests. They also highlighted that the joint account limb does not adequately cater for current PB clients⁴⁴ and if MAS removed the PB exemptions, the AI definition should be accordingly extended to avoid adversely impacting PBs businesses.

MAS' Response

6.60 As pointed out by several respondents, PBs currently adhere to the PB Code when serving clients. Given the high standards of conduct embedded in the PB Code, PBs should not have an issue meeting the requirements under the FAA with the removal of the PB exemption.

6.61 To minimise adverse impact to PBs' businesses, MAS has proposed other extensions to the AI-eligibility criteria (see paragraphs 6.49 and paragraphs 6.73), and will provide for an appropriate transition period before removing the PB exemptions (see paragraph 6.80). These should enable a large proportion of existing PBs clients to be AI-eligible and for PBs to rely on AI exemptions when serving them (assuming they opt in to AI status).

Corporations

6.62 Currently, the AI definition includes investment holding corporations.⁴⁵ MAS proposed to extend this "look-through" approach to *all* corporations, including non-investment holding corporations. While respondents did not raise objections to this, several suggested that corporations should be AI-eligible as long as it is majority-owned by AIs (e.g. 50% or 75% AI-ownership), or controlled by AIs.

6.63 Drawing analogies to the proposed joint account limb for individuals, a number of respondents suggested allowing a corporation to be AI-eligible as long as one shareholder is an AI. This could be limited to situations where the other non-AIs are "connected persons" to the AI shareholder as defined in the SFA in relation to offers of securities.⁴⁶ This would help to address private investment corporation structures, where only one shareholder may be an AI and the rest are not (e.g. the AI's children).

6.64 Three respondents queried whether FIs would be required to "look-through" to ultimate shareholders of a corporation or if the "look-through" stops at the level in which the shareholders of the corporation in question are all AIs. If "look-through" to

⁴⁴ Being (i) individuals with financial assets of more than S\$1 million or have the potential to have this in 2 years; and (ii) Private Investment Corp and Trust structures in which not all S/H or beneficiaries are AIs.

⁴⁵ Being a corporation, the sole business of which is to hold investments and the entire share capital of which is owned by one or more persons, each of whom is an AI.

⁴⁶ SFA section 2(1).

ultimate shareholders is required, one respondent suggested that public-listed companies should be exempted for practical reasons.

6.65 Four respondents sought clarity on whether a corporation that is beneficially owned by AIs (e.g. shares are held by nominee shareholders) would be AI-eligible.

MAS' Response

6.66 In a corporation structure, it is the shareholders that “own” the wealth and ultimately bear the financial consequences of investment decisions by the corporate entity. As such, where a corporation is relying on its shareholders’ AI status for AI-eligibility (i.e. “look-through” approach), *all* shareholders should be AIs. Allowing for majority-ownership would unduly prejudice the interests of minority shareholders; the joint account concept does not apply to corporations since they are separate legal entities from their shareholders. Furthermore, the opt-in safeguard for non-AI shareholders does not exist in the case of a “look-through” approach.

6.67 The “look-through” should be applied to the extent that it can be determined that a corporation’s shareholders are *all* AIs. In the case of shareholders which are corporates themselves, they would be considered as AIs either because the corporate has S\$10 million net assets or is itself owned by AIs. While the “look-through” test may be more difficult to satisfy in the case of publicly-owned companies, they can continue to rely on the S\$10 million net assets test to be AI-eligible.

6.68 Nominee shareholders are bare trustees, holding the share on trust for the beneficial owner of the share. Where the beneficial owner is an AI, the nominee shareholder (as trustee of a trust where all beneficiaries are AIs⁴⁷) would be regarded as an AI for the purposes of determining whether the corporation is AI-eligible under the “look-through” approach.

Trustees of a trust

6.69 Currently, trustees of a trust where property held on trust for beneficiaries of the trust exceed S\$10 million are AIs. In line with the “look-through” approach for investment vehicles set up as corporations (which are AI-eligible where all shareholders are AIs), MAS proposed to extend AI-eligibility to trustees of a trust where all beneficiaries are AIs. While respondents did not object to this extension, a large number of respondents highlighted that this would be of limited use in practice as beneficiaries

⁴⁷ Proposed extension to the AI-definition discussed at paragraph 6.69.

of trusts are often non-AIs (e.g. charity organisations or children of settlor) and may not even be identifiable (e.g. unborn children).

6.70 A number of respondents suggested allowing for trustees of a trust to be AI-eligible, where non-AI beneficiaries were connected persons of AI beneficiaries. This would in some way be similar to the concept of the joint account limb for individuals. Instead of “looking-through” to beneficiaries’ AI status, other respondents suggested “looking-through” to:

- (i) Settlor’s AI status – This would avoid incongruous logic where an individual can be an AI with S\$2 million net personal assets, but when he sets up a trust for asset protection / estate planning purposes, the trustee of the trust would need S\$10 million of trust property to be an AI.
- (ii) Trustee’s own AI status (or investment adviser’s if any), on the basis that it would generally be the one managing the trust property and making investment decisions in relation to the trust assets.

6.71 One respondent suggested allowing a trustee to be AI-eligible if it acts as trustee for trusts that meet the S\$10 million threshold on an aggregated basis. Another respondent suggested allowing for aggregation for related family trusts.

MAS’ Response

6.72 Trust beneficiaries typically have ultimate interest in trust assets. Their AI status should hence be relevant in determining the AI-eligibility of a trustee of a trust who has a fiduciary duty to act in their best interests. Similar to the rationale for requiring *all* shareholders to be AIs, *all* trust beneficiaries should be AIs for a trustee to be AI-eligible in respect of the trust.⁴⁸

6.73 MAS notes that there are certain trust structures where a settlor retains some equitable interest in the trust assets after the constitution of the trust. An example of such a trust is one where the settlor has (i) reserved investment powers over declared trust assets⁴⁹ (“settlor reserved powers”); and (ii) powers to revoke the trust, in which case all trust property would go back to the settlor (“revocation powers”). In such a trust, the settlor continues to have interest over the management of the trust assets. It would hence be appropriate to look to the settlor’s AI status, and MAS agrees to extend AI-eligibility to the trustee of such a trust.

⁴⁸ Unless trust property exceeds S\$10 million, or the trustee is a licensed Trust Company (in which case it would be an institutional investor).

⁴⁹ As permitted by section 90(5) of the Trustees Act.

6.74 As for suggestions to look at the trustee's (or investment adviser's) AI status, this should not be a relevant consideration since the trustee's own wealth does not form part of the trust property that trust beneficiaries have an interest in. MAS wishes to highlight that where the trustee of a trust is professionally active in the financial services market (i.e. Licensed Trust Company), the trustee would already have non-retail status as an institutional investor (II).

6.75 MAS also does not consider it appropriate for a trustee of a trust to be AI-eligible if it acts as trustee for multiple trusts with an aggregate of S\$10 million in trust property. This is because each trust has to be administered separately, and trust property cannot be used to cross-subsidise investment fees or losses of other trusts.

Transitional Arrangements

6.76 MAS proposed a 2-year transition period for existing AI investors who continue to meet the new AI-eligibility criteria to opt in to AI status, during which FIs would be able to treat the client as an AI even though the client has not opted-in to such status. One respondent requested for allowance to be made for new transactions of a similar nature to existing investments entered into during the 2-year transition period.

6.77 Another respondent requested for a transition period to be given before the opt-in regime starts. Two other respondents requested that transitional arrangements be made for non-AI clients serviced by PBs on the basis that they have the potential to be AI in two years.

MAS' Response

6.78 The proposed 2-year transition period was only in respect of existing AI clients who *continue* to be AI-eligible, and for which FIs would need time to obtain their "opt-in" to AI status. Given that MAS is now providing for an opt-out approach for existing AI clients, a transition period would no longer be necessary in respect of such clients. Where a client has opted out of AI status, the FI would need to treat the client as a non-AI.⁵⁰

6.79 For existing AI clients who would no longer be AI-eligible (e.g. due to the S\$1 million cap modification to the net personal assets test), FIs can continue to treat them as AIs only in respect of *existing* investments predicated on their AI status. In particular, a restricted FM would be able to continue serving such a client in respect of existing

⁵⁰ The consequences of opting out of AI status, including the possibility that the FI would no longer be able to continue service the client, would be explained in the "opt-out" notification form.

funds managed by the FM without breaching its licencing conditions. However, additional investments, even those of a similar nature to existing investments, would not be covered under this transitional arrangement.

6.80 Finalisation of the legislative changes to implement the opt-in regime is expected to be in 2016. As such, FIs should have adequate time to prepare the necessary documentation and upgrade their systems to track changes in clients' AI status ahead of the opt-in regime taking effect. Before removing the PB exemptions, MAS will also provide a 2-year transition from the time the revised AI-definition is gazetted. This would give PBs adequate time to review the status of existing non-AI clients who are assessed to have the potential to become AIs and to transition these clients to the AI regime.

7 Institutional Investors

(i) Foreign financial services firms

7.1 MAS proposed extending the II definition to entities carrying out financial services activities similar to those for which MAS-licences are granted⁵¹ (not including licensed FAs, remittance agents and money lenders), and which are licensed, authorised, or regulated in one or more foreign jurisdictions. Related to this, MAS proposed refinements to the types of financial services firms that qualify as IIs.⁵² In this way, entities professionally active in the financial services market would be IIs, irrespective of whether they are licensed by MAS or in a foreign jurisdiction.

7.2 A few respondents highlighted that the types of financial services firms in the II definition should cover regulated financial market infrastructure⁵³, as well as registered fund management companies ("RFMCs").⁵⁴ One respondent disagreed with the exclusion of licensed financial advisers ("FAs") from the II definition since these entities are licensed to advise others concerning investments and should naturally possess the knowledge / expertise to protect their own interests. Two respondents queried whether

⁵¹ Banks, merchant banks, insurers, finance companies, trust companies and entities licensed to conduct regulated activities under the SFA (e.g. fund managers).

⁵² Currently, only certain Capital Markets Services Licence (CMSL) holders are IIs. MAS proposed amendments to the II definition to include a CMSL holder regardless of the regulated activities the licensee is authorised to provide.

⁵³ These include systemically important payment systems, central securities depositories, securities settlement systems, central counterparties and trade repositories, as well as regulated market operators.

⁵⁴ RFMCs may serve up to 30 qualified investors (with a sub-limit of 15 CIS and limited partnership fund structures) and manage up to S\$250 million in assets under management. The RFMC regime replaced the Exempt Fund Manager regime with effect from 7 August 2012.

pension funds and collective investment schemes, such as hedge funds, constituted in overseas jurisdictions would be included as IIs (if not already the case).

7.3 Several respondents suggested that the “look-through” concept applicable to AIs be extended to IIs, allowing for entities wholly-owned by IIs to be IIs. This would allow special purpose vehicles set up for the purpose of product issuance (e.g. securitisation) and proprietary trading firms set up to meet foreign regulatory requirements (e.g. Volcker Rule, which requires separation of investment banking, private equity and proprietary trading sections of FIs from their consumer lending arms) to be treated as IIs.

MAS’ Response

7.4 Under the existing Securities and Futures (Prescribed Specific Classes of Investors) Regulations 2005, a person resident in Singapore who undertakes fund management activity in Singapore on behalf of not more than 30 qualified investors⁵⁵ are prescribed as IIs. As such, RFMCs are already prescribed as IIs. In line with the intent for the II definition to cover entities professionally active in the financial services market, MAS agrees that financial market infrastructure regulated by MAS or in a foreign jurisdiction should also be included in the II definition.

7.5 However, as indicated in the July 2014 Consultation Paper, MAS will not be extending the II definition to licensed FAs. FA activities are not limited to those who have experience in capital markets (e.g. arranging life policies is an FAA regulated activity). FAs are also unlikely to trade in their own proprietary capacity, and would likely be a CMSL holder, licensed bank or insurer and hence already qualify as an II.

7.6 Consistent with the “look-through” approach for AIs, MAS agrees that entities wholly-owned by one or more IIs should also be IIs.

(ii) Foreign governments + Exclude statutory bodies except Statutory Boards

7.7 Respondents were supportive of MAS’ proposals to extend the II definition to foreign central governments, supranational organisations and sovereign wealth funds and government-owned entities. Two respondents suggested further extending the II definition to regional and state governments, and university endowment funds.

⁵⁵ As defined in paragraph 5(3) of the Second Schedule to the Securities and Futures (Licensing and Conduct of Business) Regulations.

7.8 On the proposal to exclude statutory bodies, except Statutory Boards (based on a list maintained by the Ministry of Finance), two respondents suggested allowing statutory bodies, particularly those with a strong executive council or a committee that has a treasurer, to continue being IIs.

MAS' Response

7.9 As entities that meet the II definition would automatically be deemed as IIs, it is necessary to ensure that entities that fall into this class can be appropriately presumed to have a high level of financial markets knowledge to protect their own interests. For statutory bodies (equivalent to regional / state governments in the overseas context), this presumption was called into question during the global financial crisis.

7.10 MAS will hence exclude statutory bodies, other than Statutory Boards (akin to central governmental agencies), from the II definition. Where these entities meet the relevant monetary thresholds, they can opt in to be treated as AIs, having regard to their own level of financial sophistication. This would be in line with the recent changes to the professional investor classifications in Europe, where municipalities and local public authorities are no longer considered *per se* professional investors but can opt up to professional status.⁵⁶

7.11 Likewise, university endowment funds should not be presumed to have a comparable level of financial sophistication as financial services firms or central governments to qualify as IIs. Where these entities meet the relevant monetary thresholds, they can opt in to be treated as AIs, having regard to their own level of financial sophistication.

(iii) Other feedback

7.12 As the proposed changes to the II definition would cover some entities that are currently classified as AIs, one respondent queried whether FIs would need to alert such entities of their change in non-retail investor classification.

MAS' Response

7.13 As different exemptions are available to FIs when serving different non-retail investor classes, FIs should notify clients of changes in their non-retail investor

⁵⁶ Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU ("MiFID 2"), available at: <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32014L0065>.

classification when the II definition is amended and the practical implications of this. For excluded statutory bodies (which are currently IIs, but would be retail by default and have to opt in as AIs if eligible after the changes), MAS will make transitional provisions for FIs to continue serving them in respect of existing investments predicated on their II status.

8 Expert Investors

8.1 MAS sought feedback on the types of investors that fall within this narrowly defined non-retail investor class, and indicated its intent to remove this investor class to streamline the non-retail investor classes if it was of limited relevance to FIs.

8.2 The majority of respondents objected to MAS' proposal to remove the Expert Investor (EI) class. They highlighted that it was necessary to retain the EI class as it covers persons who do not qualify for AI or II status but are nonetheless capable of protecting own interests. Such investors form an important component of some FIs business models, and include:

- (i) Individuals who work in FIs as proprietary traders (financially sophisticated but not wealthy);
- (ii) Lowly capitalised trading firms, or corporates whose business involves the acquisition and disposal of capital markets products (e.g. futures contracts) for hedging purposes, which do not meet AI thresholds; and
- (iii) Large privately-owned corporations which are unwilling to disclose their assets and FIs are hence unable to verify AI status.

8.3 Some suggested that the EI class could be incorporated into the AI definition. Alternatively, instead of removing it, two respondents suggested that the EI regulatory exemptions be aligned with that for AIs and IIs.

MAS' Response

8.4 In light of indications that this non-retail investor class continues to be relevant for FIs, MAS will retain the EI class for now.

8.5 MAS also does not consider it appropriate to fold the EI class into either the AI or II class, since such investors do not have the level of wealth or institutional expertise associated with the other respective investor classes. This is reflected by lesser regulatory exemptions that FIs can rely on when serving EIs.

9 Next Steps

9.1 Implementation of the above changes to the AI and II definition (summarised in Annex B) will require amendments to the SFA and supporting regulations. MAS targets to table the proposed SFA amendments in Parliament in 2016, concurrently with amendments to effect policy positions in Part I of this response paper.

MONETARY AUTHORITY OF SINGAPORE

22 September 2015

Annex A

**LIST OF RESPONDENTS TO THE CONSULTATION PAPER ON
PROPOSALS TO ENHANCE REGULATORY SAFEGUARDS FOR INVESTORS IN
THE CAPITAL MARKETS**

1. A2A Capital Management Pte Ltd
2. ADMIS Singapore Pte Ltd
3. Association of Independent Asset Managers Singapore
4. Allianz Global Investors Singapore Limited
5. Baker & McKenzie.Wong & Leow
6. Bank of Singapore
7. BNP Paribas Singapore Branch
8. CFA Society Singapore
9. Chan & Goh LLP
10. *Joint submission by:* Chicago Mercantile Exchange Group and Dubai Mercantile Exchange
11. *Joint submission by:* Citibank N.A., Singapore Branch and Citibank Singapore Limited
12. Clifford Chance
13. Cleartrade Exchange
14. Commerzbank AG, Singapore Branch
15. Consumers Association of Singapore
16. Eurex Deutschland and Eurex Zurich AG
17. Fullerton Fund Management Company Ltd
18. GoldSilver Central Pte Ltd
19. Grant Thornton Advisory Services Pte Ltd
20. HL Bank
21. *Joint submission by:* The Hongkong and Shanghai Banking Corporation (“HSBC”) Limited, Singapore Branch, HSBC Global Asset Management (Singapore) Limited,

HSBC Institutional Trust Services (Singapore) Limited, HSBC Insurance (Singapore) Pte Ltd and HSBC Trustee (Singapore) Limited

22. iFAST Financial Pte Ltd
23. *Joint submission by:* Instinet Singapore Services Pte Ltd and Instinet Pacific Ltd
24. Investment Management Association of Singapore
25. KPMG Services Pte Ltd
26. Marex Spectron Asia Pte Ltd
27. Markit
28. Maroon Analytics Pte Ltd
29. Maybank Singapore
30. Mercer (Singapore) Pte Ltd
31. Moody's Asia Pacific Limited
32. MoolahSense Private Limited
33. MSCI Inc.
34. Natixis Singapore Branch
35. Pan Asia Law LLC
36. Phillip Private Equity Pte Ltd
37. Professional Investment Advisory Services Pte Ltd
38. Prudential Assurance Company Singapore (Pte) Ltd
39. Securities Association of Singapore
40. Schroder Investment Management (Singapore) Ltd
41. Shook Lin & Bok LLP
42. Sidley Austin LLP
43. Singapore Exchange Limited
44. Sumitomo Mitsui Banking Corporation, Singapore Branch
45. Swiss Life (Singapore) Pte Ltd
46. The Association of Banks in Singapore
47. United Overseas Bank Limited

Individuals

48. Swee Hiong Er
49. Epyon Feng
50. Martin Lee
51. *Joint submission by:* Alexander F H Loke, Ko Jian Xiang and Jeffrey Setiawan Lai
52. Ong Lin Tuan
53. Felice Phung
54. Phyllis Poon Sou Yee
55. Tan Puay Huang

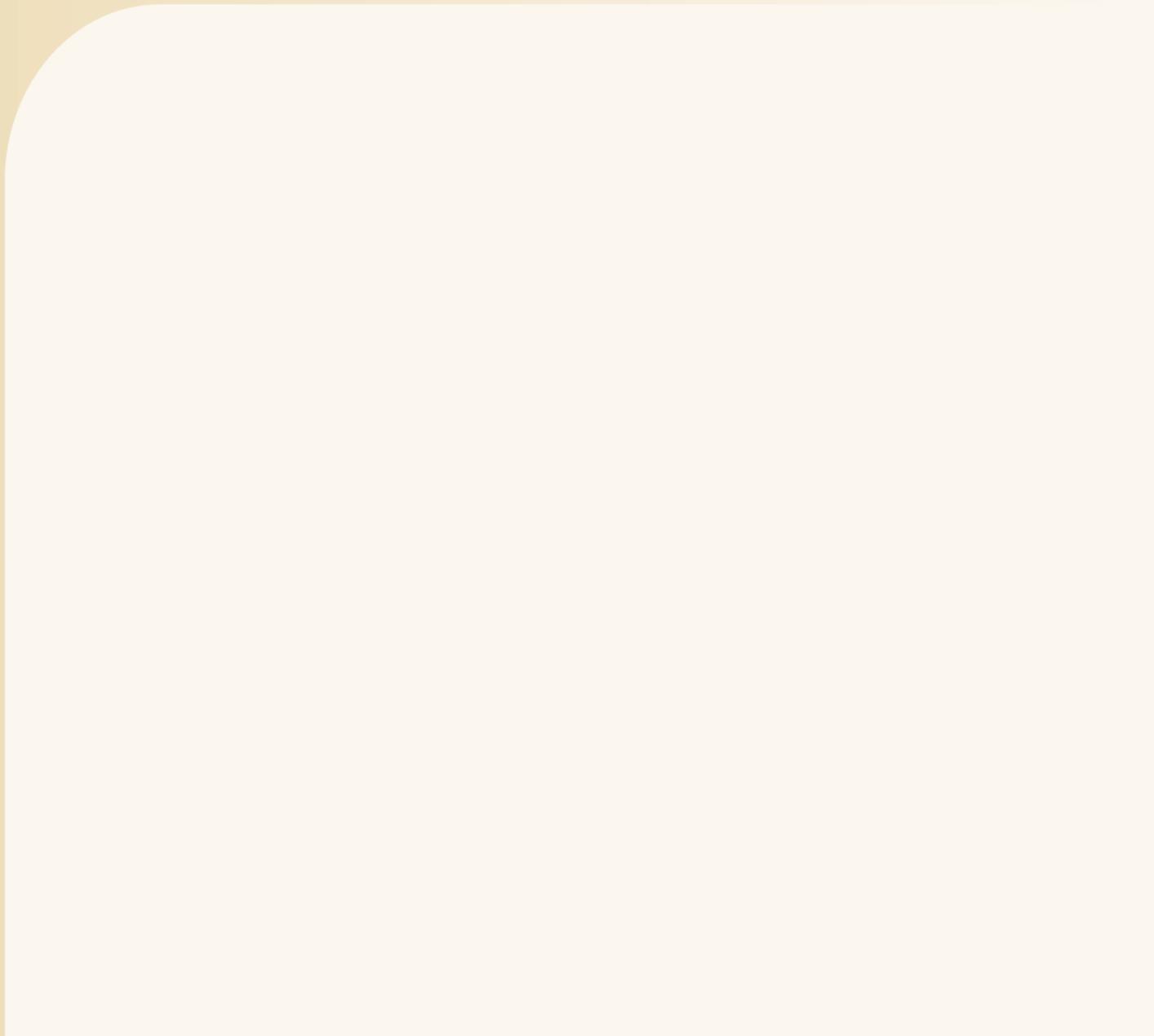
7 other respondents requested confidentiality.

Annex B

**SUMMARY OF CHANGES TO THE ACCREDITED INVESTOR AND
INSTITUTIONAL INVESTOR DEFINITIONS**

Accredited Investors (AIs)	Institutional Investors (IIs)
<p>Individuals</p> <ul style="list-style-type: none"> - Net personal assets > S\$2 million, <u>but net equity of primary residence capped at S\$1 million of the S\$2 million threshold.</u> - <u>Net financial assets > S\$1 million</u> - Annual income > S\$300,000 <p><u>Individual in a joint account with at least 1 AI, in respect of transactions out of the joint account only</u></p> <p>Partnership (other than limited liability partnership) where each partner is an AI</p> <p>Corporations</p> <ul style="list-style-type: none"> - Net assets > S\$10 million - <u>All corporations (including non-investment holding corporations),</u> where all shareholders are AIs <p>Entity (other than a corporation)</p> <ul style="list-style-type: none"> - Net assets > S\$10 million <p>Trustees of a trust, when acting in that capacity where:</p> <ul style="list-style-type: none"> - Trust property > S\$10 million - <u>All beneficiaries of the trust are AIs</u> - <u>All settlors are AIs, only if the settlor has settlor reserved powers and revocation powers</u> <div style="border: 1px solid black; padding: 5px; margin-top: 10px; text-align: center;"> <p><u>Opt-in regime*</u> [*Opt-out for existing AI clients. <u>For individuals, to obtain acknowledgement of AI status at next account review.</u>]</p> </div>	<p>MAS-licensed Financial Institutions</p> <ul style="list-style-type: none"> - Banks - Merchant Banks - Finance Company - Insurers - Trust Companies - <u>all CMSL holders</u> - <u>Financial Market Infrastructure</u> <p>Funds (Pension funds, CIS, <u>sovereign wealth funds</u>)</p> <p>RFMC (serving ≤30 qualified investors)</p> <p><i>[Financial institutions carrying on activities similar as the above which are licensed, authorised or regulated in one or more foreign jurisdictions]</i></p> <p>The Government <u>and Specified Statutory Boards</u></p> <p><u>Foreign central government and central governmental agency</u></p> <p><u>Supranational governmental organisations</u></p> <p>Others</p> <ul style="list-style-type: none"> - Agent of a member of Lloyds - Person (excluding individual) who carries on business of dealing in bonds with AIs or IIs - HQ/Finance & Treasury Centre whose business is approved as qualifying service under Income Tax Act - <u>Entities where all shareholders are IIs</u>

Note: Changes to be made to the existing AI and II definitions are reflected in blue. This table is for reference only, and does not reflect the final legislative drafting of the respective definitions.



Monetary Authority of Singapore