



Monetary Authority of Singapore

**SECURITIES AND FUTURES ACT
(CAP. 289)**

**GUIDELINES ON CRITERIA FOR THE GRANT OF A
CAPITAL MARKETS SERVICES LICENCE OTHER THAN
FOR FUND MANAGEMENT AND REAL ESTATE
INVESTMENT TRUST MANAGEMENT**

Guideline No: SFA04-G01

Issue Date : 1 October 2001 (Last revised on 8 October 2018)

**GUIDELINES ON CRITERIA FOR THE GRANT OF A CAPITAL
MARKETS SERVICES LICENCE**

1 PURPOSE

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

1.2 These Guidelines set out the minimum licensing requirements under the SFA and the minimum licensing admission criteria for persons applying for a Capital Markets Services ["CMS"] licence other than a CMS licence to carry out the regulated activity of fund management and real estate investment trust management. Persons applying for a CMS licence to carry out the regulated activity of fund management should refer to the Guidelines on Licensing, Registration and Conduct of Business for Licensed or Registered Fund Management Companies [SFA 04-G05]. Persons applying for a CMS licence to carry out the regulated activity of real estate investment trust management should refer to the Notice to all holders of a Capital Markets Services Licence for Real Estate Investment Trust Management [SFA 04-N14] and Guidelines to all holders of a Capital Markets Services Licence for Real Estate Investment Trust Management [SFA 04-G07].

[Amended on 22 March 2006]

[Amended on 26 November 2010]

[Amended on 7 August 2012]

[Amended on 12 July 2016]

1.3 These Guidelines should be read in conjunction with the provisions of the SFA, the Securities and Futures (Licensing and Conduct of Business) Regulations (Rg 10) and the Securities and Futures (Financial and Margin Requirements for Holders of Capital Markets Services Licences) Regulations (Rg 13).

2 WHO NEEDS TO HOLD A CMS LICENCE

2.1 A corporation that carries on a business in any regulated activity in Singapore would need to hold a CMS licence under the SFA. Individuals who are employed by or acting for the corporation to carry out the regulated

activity [other than sub-paragraphs (e) and (f) below] are required to be an appointed, provisional or temporary representative under the SFA.

[Amended on 22 March 2006]

[Amended on 26 November 2010]

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

- a) Dealing in capital markets products;
- b) Advising on corporate finance;
- c) Fund management;
- d) Real estate investment trust management;
- e) Product financing;
- f) Providing credit rating services;
- g) Providing custodial services.

[Amended on 1 August 2008]

[Amended on 17 January 2012]

[Amended on 8 October 2018]

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

3 CRITERIA FOR GRANT OF A CMS LICENCE

General Criteria

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

[Amended on 1 August 2008]

3.2 The applicant is a reputable entity that has an established track record in the proposed activity to be conducted in Singapore or in a related field for at least the past 5 years. In addition, in the case where the proposed activity is dealing in capital markets products, the applicant (except an applicant applying to deal only with accredited, institutional or expert investors) has an established track record in the relevant type(s) of capital markets products that the applicant intends to carry on business in Singapore for at least the past 5 years.

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

[Amended on 8 October 2018]

3.3 [Deleted on 8 October 2018]

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

[Amended on 1 August 2008]

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

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

[Amended on 22 March 2006]

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

[Amended on 1 August 2008]

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

[Amended on 22 March 2006]

[Amended on 26 November 2010]

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

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

[Amended on 14 May 2010]

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

[Amended on 1 August 2008]

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

3.11 The chief executive officer³ of the applicant is resident in Singapore.
[Amended on 1 August 2008]

3.12 The applicant should obtain the approval of MAS prior to appointing a person as its chief executive officer, its director who resides or is to reside in Singapore, or its director who is directly responsible for its business in Singapore.

[Amended on 1 August 2008]

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

[Amended on 1 August 2008]

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

[Amended on 1 August 2008]

3.15 The applicant employs at least 2 full time individuals –

- in respect of each regulated activity for which the corporation is seeking to be licensed to conduct; and
- who are appointed representatives⁴ for the relevant regulated activity as required under the SFA.

[Amended on 22 March 2006]

[Amended on 26 November 2010]

³ As defined in section 2(1) of the SFA. The duties of the chief executive officer and directors are spelt out in regulations 13 and 13A of the Securities and Futures (Licensing and Conduct of Business) Regulations. [Amended on 6 March 2014]

⁴ As defined in section 2(1) of the SFA. Such an appointed representative has to satisfy the following minimum entry requirements:

- (a) be at least 21 years old;
- (b) satisfy the minimum academic qualification and examination requirements as prescribed in the Notice on Minimum Entry and Examination Requirements for Representatives of Holders of Capital Markets Services Licence and Exempt Financial Institutions under the SFA (Notice No. SFA 04-N09);
- (c) satisfy the fit and proper criteria set out in the Guidelines on Fit and Proper Criteria issued by the Authority (Guideline No. FSG-G01); and (d) any other criteria stipulated by MAS.

Base Capital Requirements

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

[Amended on 1 August 2008]
[Amended on 1 November 2016]

Letter of Responsibility / Letter of Undertaking Requirement

3.17 MAS may, pursuant to section 88 of the SFA, impose a condition requiring the applicant to procure a Letter of Responsibility⁵ or a Letter of Undertaking⁶ (in a form satisfactory to MAS) from its parent company.

[Amended on 22 March 2006]

Criteria Specific to Certain Regulated Activities

3.18 [Deleted on 8 October 2018]

3.19 [Deleted on 7 August 2012]

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

[Amended on 22 March 2006]
[Amended on 7 August 2012]

3.21 An applicant which is applying to carry out the regulated activity of providing credit rating services will have to provide a description of how it will observe the Code of Conduct for Credit Rating Agencies. MAS will also impose a licence condition requiring the applicant to comply with the Code at all times.

[Amended on 17 January 2012]

⁵ The Letter of Responsibility is a commitment from the applicant's parent company that it will maintain adequate oversight over the applicant's operations, financial position, compliance with laws, management and other relevant issues.

⁶ The Letter of Undertaking sets out the maximum liability of the applicant's parent in support of any liquidity shortfall or other financial obligations.

Additional Licence Conditions for Applicants which do not satisfy all Criteria

3.22 MAS may grant a CMS licence to an applicant which does not satisfy all the requirements set out in paragraphs 3.1 to 3.20 at the time of application, subject to such additional conditions to be imposed pursuant to section 88 of the SFA, such as requiring the applicant to procure a banker's guarantee, PII or Letter of Undertaking.

[Amended on 22 March 2006]

4 [Deleted on 7 August 2012]

5 [Deleted on 7 August 2012]

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

6.1 A corporation which does not possess the corporate track record as required under paragraphs 3.2 to 3.4, but which meets the other relevant criteria stated in paragraph 3, may apply for a CMS licence to carry out the regulated activity of advising on corporate finance under the Boutique Corporate Finance Advisor ["BCF"] Scheme if it meets the following requirements:

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

	<p>advised on at least 5 listings in the last 10 years prior to application, in a managerial or supervisory capacity. In addition, at least one of the other 2 corporate finance professionals must have advised on at least 3 listings in the last 5 years prior to application.</p> <p>The corporate finance professionals must also have acceptable qualifications such as a degree or professional qualification.</p>
Permissible Initial Public Offerings ["IPO"] Business for New Licensees	<p>Permitted to act as issue manager, in the first instance, for up to 3 IPOs.</p> <p>To continue to act as an issue manager after the third IPO, the licensee needs to demonstrate to MAS that it has put in place measures to ensure adherence with the applicable rules and regulations, as well as industry best practices. This should be supported by a certification from an independent party who is satisfactory to MAS.</p>
Key Officers ⁷	<p>Must be resident in Singapore, and MAS' prior approval is required for any replacement of Key Officers.</p>
PII	<p>In accordance with the PII requirements set out in Annex 2.</p>

[Amended on 22 March 2006]

7 CRITERIA FOR GRANT OF ADDITIONAL REGULATED ACTIVITY OF DEALING IN CAPITAL MARKETS PRODUCTS FOR CMS LICENSEES UNDER BCF SCHEME

7.1 A BCF may apply to add the regulated activity of dealing in capital markets products to conduct placement and underwriting in relation to IPOs for which it is acting as issue manager, if it has brought at least 3 IPOs to the Singapore market and has obtained a certification from an independent party who is satisfactory to MAS that it has put in place measures to ensure adherence with the applicable rules and regulations, as well as industry best practices.

⁷ Refers to the corporate finance professionals holding the requisite individual track record under the "Management Expertise" requirement.

[Amended on 22 March 2006]

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

- a) Maintain a base capital of at least S\$5 million;
- b) [Deleted on 8 October 2018]; and
- c) Extend its PII to cover both dealing in capital markets products and advising on corporate finance activities.

[Amended on 22 March 2006]

[Amended on 8 October 2018]

8 [Deleted on 12 July 2016]

9 CRITERIA FOR GRANT OF CMS LICENCE FOR THE REGULATED ACTIVITY OF PROVIDING CREDIT RATING SERVICES

9.1 The applicant should abide by the Code of Conduct for Credit Rating Agencies.

[Amended on 17 January 2012]

9.2 The applicant should provide a description of its business model, rating methodologies and internal code of conduct.

[Amended on 17 January 2012]

9.3 The applicant should provide a description of how it will observe the Code of Conduct for Credit Rating Agencies and a confirmation that it, its employees and its appointed representatives are and will continue to be in observance of the Code of Conduct for Credit Rating Agencies.

[Amended on 17 January 2012]

9.4 Where the applicant also provides other ancillary services, it should furnish the list of ancillary services provided and an explanation why such services do not give rise to any conflict of interest with the applicant's credit rating business.

[Amended on 17 January 2012]

Annex 1 – Base Capital Requirements (BCR)

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

(AA) Dealing in Capital Markets Products that are Securities, Units in a Collective Investment Scheme and Exchange-traded Derivatives Contracts

Regulated Activity	BCR(\$)
Dealing in capital markets products that are securities, units in a collective investment scheme or exchange-traded derivatives contracts (clearing member ⁸)	5 million
Dealing in capital markets products that are securities, units in a collective investment scheme or exchange-traded derivatives contracts (trading member ⁹)	1 million
Dealing in capital markets products that are securities, units in a collective investment scheme or exchange-traded derivatives contracts (non-member ¹⁰)	1 million
Dealing in capital markets products that are securities, units in a collective investment scheme or exchange-traded derivatives contracts (introducing broker ¹¹)	500,000

⁸ Refers to a corporation which is a member of an approved clearing house

⁹ Refers to a corporation (not being an introducing broker or a corporation who qualifies for S\$50,000 base capital under table AA) which is a member of an approved exchange

¹⁰ Refers to a corporation (not being an introducing broker or a corporation who qualifies for S\$50,000 base capital under table AA) which is not a member of an approved exchange

¹¹ For the purposes of dealing in capital markets products that are securities, units in a collective investment scheme or exchange-traded derivatives contracts, refers to a corporation that does not carry any customer's positions in those capital markets products, margins or accounts in its own books; and either (i) carries on the business only of soliciting or accepting orders for the purchase or sale of any of those capital markets products from any customer or (ii) accepts money or assets from any customer as settlement of, or a margin for, or to guarantee or secure, any contract for the purchase or sale of those capital markets products by that customer.

Dealing in capital markets products that are securities, units in a collective investment scheme or exchange-traded derivatives contracts (others ¹²)	50,000
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(AB) Dealing in Capital Markets Products that are Over-the-counter Derivatives Contracts

Regulated Activity	BCR(\$)
Dealing in capital markets products that are over-the-counter derivatives contracts (clearing member ¹³)	5 million
Dealing in capital markets products that are over-the-counter derivatives contracts (non-clearing member with retail clients ¹⁴)	5 million
Dealing in capital markets products that are over-the-counter derivatives contracts (non-clearing member with non-retail clients ¹⁵)	1 million
Dealing in capital markets products that are over-the-counter derivatives contracts (others ¹⁶)	500,000

¹² For the purposes of dealing in securities, units in a collective investment scheme or exchange-traded derivatives contracts, refers to a corporation which deals in securities, units in a collective investment scheme or exchange-traded derivatives contracts which (i) does not carry any customers' positions in those capital markets products, margins or accounts in its own books; (ii) deals in those capital markets products only with accredited investors, expert investors or institutional investors; (iii) does not accept money or assets from any customer as settlement of, or as a margin for, or to guarantee or secure, any contract for the purchase or sale of those capital markets products by that customer; and (iv) does not enter into any transaction with any customer to deal in those capital markets products as principal.

¹³ Refers to a corporation which is a member of an approved clearing house

¹⁴ Refers to a corporation (not being a corporation who qualifies for S\$500,000 base capital requirement under table AB) that is not a member of an approved clearing house and carries out dealing in capital markets products that are over-the-counter derivatives contracts with any customer who is not an accredited investor, an expert investor or an institutional investor.

¹⁵ Refers to a corporation (not being a corporation who qualifies for S\$500,000 base capital requirement under table AB) that is not a member of an approved clearing house and carries out dealing in capital markets products that are over-the-counter derivatives contracts with only customers who are accredited investors, expert investors or institutional investors.

¹⁶ Refers to a corporation that does not carry any customer's positions, margins or accounts in over-the-counter derivatives contracts in its own books, and either (i) carries on business only of soliciting or accepting orders for the purchase and sale of over-the-counter derivatives contracts from any customer; or (ii) accepts money or assets from any customer as settlement of, or a margin for, or to guarantee or secure, any contract for the purchase or sale of over-the-counter derivatives contracts by that customer.

(A) [Deleted on 8 October 2018]

(B) [Deleted on 8 October 2018]

**(C) Dealing in Capital Markets Products that are Specified
Commodity Futures Contracts**

Regulated Activity	BCR (S\$)
Dealing in capital markets products that are specified commodity futures contracts only (clearing member ¹⁷)	1 million
Dealing in capital markets products that are specified commodity futures contracts only (non-clearing member ¹⁸)	500,000
Dealing in capital markets products that are specified commodity futures contracts only (non-member ¹⁹)	500,000
Dealing in capital markets products that are specified commodity futures contracts only (introducing broker ²⁰)	250,000

¹⁷ Refers to a corporation which is a member of an approved clearing house, where the corporation's membership is limited to specified commodity futures contract. The applicant engaged in this regulated activity may be required to maintain and hold its financial resources [as defined in the SF(FMR)] in such manner in Singapore as may be specified by MAS. [Amended on 6 March 2014]

¹⁸ Refers to a corporation (not being an introducing broker or restricted broker in relation to trading in commodity futures contracts) which is a member of an approved exchange.

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

²⁰ In relation to dealing in capital markets products that are specified commodity futures contracts, refers to a corporation (not being a restricted broker) which does not carry customers' positions in those capital markets products, margins or accounts in its own books; and either (i) carries on the business only of soliciting or accepting orders for the purchase or sale of those capital markets products from any customer (not being a restricted broker) or (ii) accepts money or assets from any customer as settlement of, or a margin for, or to guarantee or secure, any purchase or sale of those capital markets products by that customer.

Dealing in capital markets products that are specified commodity futures contracts only (restricted broker ²¹)	250,000
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[Amended 8 October 2018]

(D) [Deleted on 7 August 2012]

(E) Other Regulated Activities under the SFA²²

Regulated Activity	BCR (S\$)
Dealing in capital markets products that are spot foreign exchange contracts for the purposes of leveraged foreign exchange trading with any customer who is not an accredited investor, institutional investor or expert investor	5 million
Dealing in capital markets products that are spot foreign exchange contracts for the purposes of leveraged foreign exchange trading only with customers who are accredited investors, institutional investors or expert investors	1 million
Carrying out product financing	1 million
Providing custodial services	1 million
Advising on corporate finance	250,000
Providing credit rating services	250,000

[Amended on 1 August 2008]
 [Amended on 17 January 2012]
 [Amended on 12 July 2016]
 [Amended on 8 October 2018]

²¹ In relation to dealing in capital markets products that are specified commodity futures contracts, refers to a corporation which (i) does not carry any customer's positions in those capital markets products, margins or accounts in its own books; (ii) trades in those capital markets products only with accredited investors; and (iii) does not accept money or assets from any customer as settlement of, or a margin for, or to guarantee or secure, any purchase or sale of those capital markets products by that customer.

²² For fund management, please refer to SFA04-G05.

Annex 2 – Minimum PII Requirements

Table A2-1 – Minimum PII Quantum

Category	Revenue from advising on Corporate Finance	Min PII Amount
Advising on Corporate Finance (including BCF)	< S\$10m	S\$2.5m
	S\$10m to less than S\$20m	S\$5m
	S\$20m to less than S\$30m	S\$7.5m
	S\$30m to less than S\$40m	S\$10m
	S\$40m to less than S\$50m	S\$12.5m
	S\$50m to less than S\$60m	S\$15m
	S\$60m to less than S\$70m	S\$17.5m
	S\$70m to less than S\$80m	S\$20m
	S\$80m to less than S\$100m	S\$22.5m
	S\$100m and above	S\$25m

Category	PII Amount
Dealing in capital markets products that are: (i) securities; (ii) CIS; (iii) exchange-traded derivatives	<u>Member firms</u> 50% of revenue from dealing in capital markets products that are (i) to (iii), subject to a cap of S\$25m
	<u>Non-member firms</u> 50% of revenue from dealing in capital markets products that are (i) to (iii), subject to a cap of S\$10m.

<p>(iv) over-the-counter derivatives; or (v) spot foreign exchange contracts for the purposes of leveraged foreign exchange trading</p>	<p>50% of revenue from dealing in capital markets products that are (iv) or (v), subject to a cap of S\$25m.</p>
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[Amended on 15 June 2016]
[Amended on 8 October 2018]

Table A2-2 – Minimum PII Quantum

Feature	Coverage
Persons covered	The licensee and all of its representatives.
Areas to be covered	<p>Baseline:</p> <ul style="list-style-type: none"> (i) Breach of professional duty by FI or its representatives. (ii) Infidelity or dishonesty of the licensee, its employees, agents or contractors. (iii) Loss of documents evidencing title of assets belonging to customers. <p>This list represents the minimum standards, and is not exhaustive. The licensee should also undertake its own analysis and obtain adequate PII coverage that is commensurate with the nature, scale and complexity of its business.</p>

	<p>The minimum amount applicable to a licensee, as set out in Table A2-1, should apply to each of the baseline items (i), (ii) and (iii) under the PII policy.</p> <p>Where a claim is awarded under a formal legal proceeding, the minimum limit of indemnity available for the settlement of claims to customers should be as set out in table A2-1. For instance, licensees may either obtain a PII policy where legal costs are paid in addition to the minimum limit of indemnity or by sufficiently increasing the level of cover to take legal costs into account.</p>
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[Amended on 15 June 2016]

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

[Amended on 22 March 2006]

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

[Amended on 22 March 2006]

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

[Amended on 22 March 2006]

4 The liability under the Letter of Undertaking referred to in paragraph 3 should be at least that required of the PII as stated in paragraph 1.

[Amended on 15 June 2016]

5 MAS may also consider the following alternative forms of PII, as long as the applicant has assessed that such a PII does not undermine the interest of investors, subject to the fulfilment of conditions specified for each type of PII:

Type of PII	Conditions to be Satisfied
Group PII	<ul style="list-style-type: none"> • Minimum coverage has to be at least 5 times the required quantum under a standalone non-hybrid PII. • If the deductible of the Group PII is greater than 20% of the applicant's base capital, an undertaking from the applicant's parent company to cover the excess in the event of a claim would be required.
Hybrid PII ²³	<ul style="list-style-type: none"> • Sub-limits have to be set for the non-PII sections of the hybrid PII. • Total coverage under the hybrid PII less the sub-limits for the non-PII sections has to be at least equivalent to the required quantum under a standalone non-hybrid PII.
Group Hybrid PII	<ul style="list-style-type: none"> • Sub-limits have to be set for the non-PII sections of the Group hybrid PII. • Total coverage of the Group hybrid PII less the sub-limits for the non-PII sections has to be at least 5 times the required quantum under a standalone non-hybrid PII. • If the deductible of the Group hybrid PII is greater than 20% of the applicant's base capital, an undertaking from the applicant's parent company to cover the excess in the event of a claim would be required.

[Amended on 24 August 2010]

²³ A hybrid PII is a PII policy which offers coverage on PII as well as other risks, such as crime and directors' and officers' liability.