Monetary Authority of Singapore

# SECURITIES AND FUTURES ACT 2001

## GUIDELINES ON LICENSING AND CONDUCT OF BUSINESS FOR FUND MANAGEMENT COMPANIES

**Guideline No: SFA 04-G05**
**Issue Date : 7 August 2012 (Last revised on 1 August 2024)**

# GUIDELINES ON LICENSING AND CONDUCT OF BUSINESS FOR FUND MANAGEMENT COMPANIES

## TABLE OF CONTENTS

# 1 Purpose

1.1 These Guidelines, which have been issued pursuant to section 321 of the Securities and Futures Act 2001 ["SFA"], are applicable to companies that hold a capital markets services licence for fund management. They will be referred to in these Guidelines as Fund Management Companies ["FMCs"].

1.2 These Guidelines explain the minimum licensing criteria and business conduct requirements for FMCs. These are not meant to be exhaustive; MAS may impose additional conditions or requirements to address unique risks posed by the business model or structure of certain FMCs and/or the funds that they manage.

1.3 Companies seeking to be licensed for regulated activities under the SFA, other than fund management, should refer to the Guidelines on Criteria for the Grant of a Capital Markets Services Licence Other Than for Fund Management and Real Estate Investment Trust Management [SFA04-G01].

1.4 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) ["SF(LCB)R"], the Securities and Futures (Financial and Margin Requirements for Holders of Capital Markets Services Licences) Regulations (Rg. 13) ["SF(FMR)R"], Notice on Risk Based Capital Adequacy Requirements for Holders of Capital Markets Services Licences [SFA04-N13] and other relevant legislation, as well as with the guidelines and FAQs issued by MAS.

1.5 Unless otherwise defined, the terms used in these Guidelines have the same meaning as defined in the SFA and SF(LCB)R.

# 2 Categories of FMCs

2.1 **Capital Markets Services ["CMS"] Licence** – The activity of fund management is defined in the Second Schedule to the SFA. A company that carries on business in fund management in Singapore would need to hold a CMS licence for fund management. The different categories are set out in Table 1 below.

**Table 1 – Categories of FMCs**

| Category | Permissible Activities |
|---|---|
| Retail LFMCs | Carrying on business in fund management with all types of investors. |
| A/I LFMCs | Carrying on business in fund management with qualified investors only. |

| Category | Permissible Activities |
|---|---|
| Venture Capital Fund Managers [“VCFMs”] | Carrying on business in fund management in respect of venture capital funds with qualified investors only. Venture capital funds are subject to restrictions on investments and fund type – refer to *Appendix 4* for details. |

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

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

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

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

(ii) are investment professionals[1] employed by the FMC or employed within the same corporate group[2]. The funds that such investment professionals invest in, which are otherwise offered to accredited investors and institutional investors, shall also be considered qualified investors.

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

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

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

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

pursuant to which the employee qualifies as an investment professional.

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

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

(iv) In the event that the investment professional ceases his employment with the FMC or corporate group, that investment professional must not be allowed to make further investments into the funds managed by the FMC. For funds that require investors to enter into contractual capital commitments upfront (such as private equity or venture capital funds), the employee can continue to fulfil his existing commitment at the point of investment, but should not be allowed to make new commitments to funds managed by the FMC, after the cessation of employment. In this regard, the FMC must have a clear policy regarding the treatment or handling of such investment professionals' investments in the event of his cessation of employment, including whether the employee will be allowed to remain invested or redeem his existing contributions, be restricted from making further contributions or be required to fulfil his existing commitment, and this policy must be agreed on and acknowledged by the investment professional prior to his investment[3]. For the avoidance of doubt, it is not MAS' intent to mandate that such investment professionals liquidate or dispose of their investments once they cease to be employed by the FMC or the corporate group.

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

2.3.1 An FMC providing advice or research to other investment managers should report, as assets under the FMC's non-discretionary management, the moneys and assets contracted to the investment manager in respect of which the FMC has an agreement to provide the fund management services. In reporting these assets, the FMC should only include the portion that is

[3] If the relevant agreements between the FMC and the investment professional so provide, upon the cessation of the investment professional's employment with the FMC, the investment professional may redeem existing contributions or be restricted from making further contributions in respect of an existing commitment into the fund managed by the FMC.

attributable to it based on appropriate proxies such as the geographical or sectoral focus of the FMC; and

2.3.2 Moneys committed by investors but not drawn down should be excluded from the FMC's managed assets.

2.4 **Exceeding the Limit of Managed Assets –** An FMC subject to specific limits on managed assets should periodically monitor the size of the assets being managed, for the purpose of ensuring that it is adhering to such limits. The FMC should, among other things, consider potential changes in the size of the assets being managed arising from prospecting of new investors or investment mandates.

## 3 Criteria for Licensing

3.1 This section sets out the admission criteria for FMCs. Companies that seek to operate as VCFMs should also refer to *Appendix 4*. Post admission, FMCs should continually adhere to such criteria, as well as the applicable ongoing requirements under section 4 of these Guidelines.

3.2 **Substantive Fund Management Activity –** To qualify for licensing, a company must conduct substantive fund management activity in Singapore such as portfolio management, investment research or trade execution. A company that acts as investment adviser, sub-adviser or provides research to other investment managers (either in Singapore or overseas) would also be considered to be conducting substantive fund management activity if the company is able to exercise influence or control over the management of the investment portfolio, or provide inputs to the portfolio composition. In determining whether such a company is able to exercise influence or control over the investment portfolio, MAS may consider factors such as whether the company is involved in the construction of the investment portfolio; has knowledge of, or access to the holdings of the portfolio beyond what is publicly available; or is named or referred to in the fund's prospectus, offering documents or marketing materials.

3.3 A company would not qualify for a fund management licence, if the company:

3.3.1 merely provides a conduit or channel for its customer to structure its investments or assets in the form of fund units, without providing any substantive input or influence over the merits or suitability of the investment or assets, or assuming responsibility for their investment performance. This includes cases where an FMC executes trades purely based on customers' instructions;

3.3.2 sets up fund structures solely to raise capital for operating businesses that are run or managed by the company;

3.3.3 sets up fund structures that merely serve as a conduit for the offer of funds managed by other fund managers;

3.3.4 purely engages in marketing of funds and/or client servicing; or

3.3.5 ultimately invests in assets that are not capital markets products[4] (non-CMPs). Companies investing in non-CMPs on behalf of accredited or institutional investors may consider if they are able to rely on licensing exemptions in the Second Schedule to the SF(LCB)R.

3.4 A company that manages own assets or moneys both in form and substance, does not require a fund management licence. MAS will not grant a licence to allow such a company to qualify for tax incentives or to make use of fund structures that require the manager to be licensed. All applicants must provide credible plans to manage third party moneys as part of their application. The licence status of FMCs will lapse if they do not commence fund management within six months of being issued a licence.

3.5 Notwithstanding that companies described in paragraphs 3.3 to 3.4 would not qualify for licensing for fund management, these companies have to satisfy themselves whether their proposed activities fall under any of the other regulated activities under the SFA, the Financial Advisers Act or other Acts administered by MAS, and ensure compliance with the relevant Acts as necessary.

3.6 **Fit and Proper** – An FMC should satisfy MAS that its shareholders, directors, representatives and employees, as well as the FMC itself, are fit and proper, in accordance with the Guidelines on Fit and Proper Criteria issued by MAS [FSG-G01]. As part of the FMC's assessment of the fitness and propriety of its prospective representatives and employees, the FMC should perform adequate due diligence checks on them. Such checks should include reference checks with previous employers to verify the individual's credentials, work experience and disciplinary record (if any). Where prospective representatives are hired to manage an investment strategy based on their track record[5], FMCs should also validate that track record, before making the appointment. Such validation checks could include back-testing the investment strategy with historical data.

3.7 **Competency of Key Individuals** – To qualify for licensing, the CEO, directors and relevant professionals of the FMC must have adequate experience that is relevant to the fund management activities of the FMC (see *Appendix 1* for more information). The CEO and directors of the FMC should collectively have experience in both portfolio management and support functions such as risk management, operations and compliance. In particular, the CEO, senior management and directors who are responsible for exercising oversight of the FMC's investment activities must collectively have relevant experience in all of the asset classes, markets and investment strategies that the FMC will invest in, and be able to properly manage the risks associated with these asset classes, markets and strategies. Minimally, at least one of the Executive Directors should have portfolio management experience in asset classes or markets that the FMC intends to invest in. Experience in the

---

[4] As defined under section 2(1) of the SFA. Capital markets products include securities, units in a collective investment scheme, derivatives contracts, spot foreign exchange contracts for the purposes of leveraged foreign exchange trading, and such other products as MAS may prescribe.

[5] Where a prospective representative claims an investment track record or investment strategy as his/her own, the FMC should validate that the track record belongs to the prospective representative. This includes requesting that the prospective representative provide information to substantiate that track record, with fund documents such as fund factsheets, fund prospectus or fund reports. These documents could also be available publicly or obtained via commercial fund databases.

marketing, client servicing and advisory of financial services and products may be considered relevant but is not sufficient on its own. For instance:

3.7.1 Traditional and hedge funds – Relevant experience may include investment management experience in markets or asset classes which the fund(s) will invest in;

3.7.2 External asset management – Relevant experience may include experience managing wealth management portfolios for clients focused on markets or asset classes which the FMC will target; and

3.7.3 Private equity and venture capital funds – Relevant experience may include experience in industry segments that are within the fund's investment mandate.

3.8 MAS does not consider experience in investing one's own moneys or moneys belonging to family members, as being relevant experience in the context of an FMC that is seeking to manage monies for third parties. Where an individual's past experience in investment management was gained at unregulated entities, the FMC must be prepared to substantiate the individual's experience. In addition, the period of relevant experience will be considered in assessing the competency of key individuals. For example, an individual with multiple short stints or with experience gained more than 10 years ago, may not be considered to possess the relevant experience required.

3.9 **External Involvements of Key Individuals** – CEOs and executive directors are expected to focus on the management of the FMC's business and may be required to divest outside business interests, if they are unable to adequately mitigate the conflicts of interest (whether actual or perceived), or reputational risks posed to the FMC.

3.10 **Appointment of Key Individuals** – An individual's appointment should accurately reflect his/her responsibilities and involvement within the FMC; appointments should not be made for the sole purpose of meeting the minimum staffing requirements. In particular, shareholders of an FMC who are able to exert influence and/or actively partake in its operations may be required to be appointed as directors.

3.11 **Anchoring of Key Individuals** – FMCs should ensure that there is stability in their CEO, directors and management team. There should be good corporate governance and alignment of interest with investors. In assessing the stability of an FMC's CEO, directors and management team, MAS may consider among other factors, the tenure of these individuals with the FMC and its related entities (where applicable). In addition, where an FMC is not part of an established business group[6], and is owned by one or more individual shareholders (whether directly or through holding companies), the FMC's CEO and Executive Directors are expected to collectively hold and maintain a controlling stake (>50% effective voting interest) in the FMC. In this regard, the CEO and Executive Directors must be able to exercise effective control over the FMC's operations, for which they are held

[6] An established business group includes financial services groups where one or more group entities are regulated by a financial market regulator, whether in Singapore or in other jurisdictions. An FMC is considered part of a group if it is a subsidiary or associate company of the group, or is owned by common individual shareholders.

accountable under the SFA. The CEO and Executive Directors should not enter into any arrangement that would allow other persons to control how the CEO or Executive Directors exercise their controlling rights in respect of the FMC[7]. MAS may also consider other measures to anchor and align the interests of CEO and Executive Directors with third-party investors, such as meaningful investments of seed capital by these individuals alongside third-party investors in pooled funds. FMCs should minimise the shareholding held by passive shareholders (whether direct, intermediate or ultimate) who are not involved in the management of the FMC's business, and/or do not have relevant experience in fund management.

3.12 **Legal Structure and Office Space** – FMCs should be Singapore incorporated companies and have a permanent physical office in Singapore. The office should be dedicated, secure and accessible only to the FMC's directors and staff.

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

**Table 2 – Base Capital Requirement**

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

3.14 **Risk-Based Capital** – An LFMC shall *at all times* meet the risk-based capital requirement in the SF(FMR)R and SFA04-N13, by having financial resources that are at least 120% of total risk requirement.

3.15 **Compliance Arrangements** – MAS expects an FMC to have in place compliance arrangements that are commensurate with the nature, scale and complexity of its business. The minimum requirements in respect of compliance arrangements are set out in *Appendix 2*. Ultimate responsibility for compliance with applicable laws and regulations

[7] The following are non-exhaustive examples of such arrangements: (i) agreements that compel the FMC's CEO or Executive Directors to cede control of the FMC if certain events occur, and (ii) issuance of shares which confer voting rights on a conditional basis.

rests with the FMC's CEO and directors, even though compliance support may be provided by a foreign related entity and/or third-party service providers. Where an FMC has an in-house compliance officer, the individual is expected to have relevant experience for example, in regulatory compliance, audit or risk management and be familiar with and regularly and appropriately trained on the rules and regulations applicable to the FMC. As a matter of principle, an FMC should consult its in-house compliance officer or third-party service provider, where it has queries on the applicability of rules and regulations. If there is a need to seek clarification from MAS, the FMC should set out its detailed assessment of the specific regulatory query and/or issue that it wants to clarify or seek approval for. MAS has information resources on our website to assist FMCs in complying with the relevant requirements. These are set out in the Compliance Toolkit for Approvals, Notifications and Other Regulatory Submissions to MAS for Fund Managers and FAQs on the Licensing of Fund Management Companies, which include aspects such as regulatory filing requirements and entry requirements for representatives.

3.16 **Risk Management Framework** – An FMC shall put in place a risk management framework to identify, address and monitor the risks associated with customer assets that it manages, as required by regulation 13B(1)(a) of the SF(LCB)R. The FMC should take into account the principles set out in the MAS Guidelines on Risk Management Practices[8] that are applicable to all financial institutions and any other industry best practices that might be relevant. An FMC should also demonstrate that it has put in place measures to address these risks, which are dependent on the nature and size of its operations and the nature of assets that it manages. At a minimum, the risk management framework of an FMC should address the following:

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

3.16.2 Identification and measurement of risks associated with customer assets – All pertinent risks associated with customer assets should be identified and measured. Where appropriate, tools or metrics suitable to the nature, scale, and complexity of the assets, as well as the investment strategies employed for the funds managed should be acquired or developed to ensure accurate and timely tracking and assessment of risk exposures;

3.16.3 Timely monitoring and reporting of risks to management – Procedures should be developed and maintained to ensure that the risks which have been identified are closely monitored. As the FMC's CEO, directors and senior management are ultimately responsible for overseeing the risk

[8] For example, an FMC which manages a fund that extends credit to borrowers should assess the MAS Guidelines on Risk Management Practices – Credit Risk in implementing a risk management framework to identify, address and monitor the credit risks of the fund. Other guidelines on risk management practices applicable to FMCs include the MAS Guidelines on Liquidity Risk Management Practices for FMCs [SFA 04-G08] and the MAS Guidelines on Environmental Risk Management for Asset Managers.

management framework, there should also be clear lines of escalation so that management is kept informed of risk exposures on a continual and timely basis; and

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

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

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

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

3.20 **Letter of Responsibility** – Where appropriate, MAS may require FMCs to procure a Letter of Responsibility from the FMC’s parent company or related company.

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

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

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

3.21.3 commitment of the FMC’s holding company to the FMC’s operations in Singapore; and

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

# 4 Ongoing Requirements for FMCs

4.1 **Business Conduct** – An FMC[9] is required to comply, on an ongoing basis, with all applicable business conduct requirements set out in the SFA and SF(LCB)R, as well as in the Notices issued by MAS that are applicable to the FMC. Some of these requirements are explained in the list immediately below, which is meant to be illustrative but not exhaustive.

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

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

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

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

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

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

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

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

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

(iv) the CEO, director or representative of the FMC has interests which are distinct from his/her role as CEO, director or representative of the

[9] Please refer to *Appendix 4* for ongoing requirements that apply to VCFMs.

FMC, as the case may be, and which may be in conflict with the interests of the customers of the FMC.

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

(i) the investment policy and strategy, as well as risks associated with the strategy and the assets in the investment portfolio. For instance, where FMCs invest in digital assets, they should minimally disclose the following:

a. the heightened price, liquidity and volatility risks associated with digital assets;

b. the risks associated with the use of intermediaries such as trading platforms and custodians. FMCs should segregate customers' assets and store bulk of the assets in cold wallet and only keep assets in hot wallet for the purpose of liquidity and operational needs. Disclosure of the custody arrangements should include the jurisdiction in which the custodians are suitably licensed, registered or authorised; and

c. any other regulatory and legal risks that are associated with investments in digital assets;

(ii) the terms with respect to fees, termination or exit and, where applicable, gating[10], side-pocketing[11], lock-up[12] or suspension of redemptions, including any penalties that may apply under such circumstances;

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

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

---

[10] Gating generally refers to limits placed on the amount of withdrawals that investors can make from a fund during the redemption period.

[11] Side-pocketing generally refers to the practice by investment managers of placing (normally illiquid) assets of a fund in a side-pocket account. Investors withdrawing from the fund will not receive their share of the assets in the side pocket account until such time the assets are liquidated.

[12] Lock-up generally refers to a window period during which investors of a fund are not allowed to redeem their fund investment.

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

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

(vii) the circumstances under which the fund or account can be terminated, as well as the processes for effecting such termination.

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

4.1.5 **Termination of Fund and Cessation of FMC –** An FMC should ensure that the decision to terminate a fund and the process of termination is in the interests of investors in the fund, and that all investors are treated fairly and equitably. The FMC should:

(i) maintain appropriate governance and oversight of the termination process;

(ii) establish written policies for handling the termination process, covering areas such as the allocation of the costs of termination, investor communications, and treatment of unclaimed proceeds (where relevant); and

(iii) provide timely information to all investors so that they are kept updated on the progress of the termination.

An FMC who is itself no longer conducting the activity of fund management should file for cessation of its regulatory status. If the FMC intends to wind down its business, the FMC should ensure an orderly winding down of its business prior to cessation. This includes but is not limited to: (i) putting in place communication plans to ensure sufficient notice period has been given to its customers, business partners and other relevant stakeholders regarding its cessation; and (ii) discharging all customer obligations and ensuring that customer assets and/or moneys have been accounted for and returned to customers before it ceases.

The FMC should also ensure that all funds and managed accounts managed or advised by the FMC have been (i) transferred to another fund management company; or (ii) liquidated and all underlying assets and moneys returned to their beneficial owners or customers.

Where the investment management of any fund is to be transferred to another manager, the FMC should ensure an orderly transition of its fiduciary responsibility. This may include providing investors with timely information and the opportunity to redeem their investments.

4.1.6 **Complaints Handling** – An FMC should establish clear policies and procedures to handle customer complaints and feedback effectively and promptly. Senior management members who are responsible for handling customer complaints should be clearly identified, and the escalation and review process documented and communicated to all employees of the FMC.

4.1.7 **Oversight of individuals who carry out activities for and on behalf of the FMC** – An FMC should put in place an appropriate governance structure to ensure that it is able to effectively monitor the conduct of individuals who carry out activities for and on behalf of the FMC, on an ongoing basis. Such individuals include the FMC's CEO, directors, representatives and employees. The FMC shall put in place documented systems and controls to demonstrate that it has exercised oversight of these individuals' activities, including the funds under their management, and addressed conflicts posed by any outside business interests that they are involved in. The FMC should also establish and implement a disciplinary action framework to hold the individuals accountable for their actions and conduct.

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

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

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

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

4.6 **Periodic Returns** – An FMC shall submit periodic regulatory returns in relation to its fund management activities, in accordance with the SF(LCB)R and SF(FMR)R. The requirements are summarised in the respective compliance toolkits published on the MAS website.

4.7 **Fund Management Activities** – An FMC shall conduct substantive fund management activity for all its segregated mandates and funds. Examples of when an FMC would not be deemed to be conducting substantive fund management activity, are set out in paragraphs 3.3 to 3.4 above. The FMC should be able to demonstrate that it is conducting substantive fund management activity in respect of all its segregated mandates/funds, by retaining appropriate documentation.

# 5 Fees

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

# 6 Application Procedures

6.1 **Applications** – An FMC shall submit its application for licensing to MAS, in the manner set out in Table 3 below. An existing FMC seeking to apply for a change in status (e.g. from A/I LFMC to Retail LFMC) should contact the MAS officer-in-charge for further guidance on application procedures. Please refer to the *Corporate Electronic Lodgment ["CeL"] User Guide* for more information on submissions through CeL.

**Table 3 – Submission of Licence Application**

| Entity | Application Purpose | Form |
|---|---|---|
| Prospective FMC | (i) Applying for CMS licence in fund management and, where applicable to the applicant's business model, additional SFA regulated activities such as dealing in capital markets products. | Form 1A through CeL |
| | (ii) Applying for CMS licence in fund management in respect of venture capital funds only (i.e. VCFM). | Form 1V through CeL |
| Existing FMC | Retail or A/I LFMC applying to conduct additional SFA regulated activities. | Hardcopy SF(LCB)R Form 5. |

* Forms above are available on the MAS website.

6.2 **Contact** – Companies who are interested in applying for a fund management licence may contact MAS in the following manner:

By Email: webmaster@mas.gov.sg
By Phone: (65) 6225 5577
By Post: Investment Intermediaries Department
10 Shenton Way MAS Building, Singapore 079117

**Appendix 1**

## A1 Minimum Staffing and Competency Requirements

An LFMC (A/I or retail) is required to appoint an adequate number of directors, relevant professionals and representatives as set out in the table below. It must also appoint a Chief Executive Officer ["CEO"]. There is no restriction on an individual to take on multiple appointments within the firm if there are synergies, e.g. the CEO can also be appointed as Executive Director, relevant professional and representative. The individual would then need to meet the requirements in respect of each appointment.

**Table A1 – Minimum Competency Requirements**

| | A/I LFMC | Retail LFMC |
|---|---|---|
| (i) **Minimum years of relevant experience of CEO:**<br>*A CEO should have managerial experience or experience in a supervisory capacity as part of the individual's relevant experience.*<br>*The duties of a CEO are spelt out in the SF(LCB)R. The CEO has to be employed full-time in the day-to-day operations of the company and be resident in Singapore.* | 5 years | 10 years |
| (ii) **Number of Directors:**<br>**Minimum years of relevant experience:**<br>*The duties of a director are spelt out in the SF(LCB)R. Nominee directors such as legal advisers or corporate secretaries will not count towards meeting this requirement.*<br>*A director should have managerial experience or experience in a supervisory capacity as part of the individual's relevant experience.*<br><br>**Of these directors,**<br>• **Number of Executive Directors:**<br>*Executive Directors are involved full-time in the day-to-day operations of the company and should be resident in Singapore. There should be at least one Executive Director* | At least 2<br>5 years<br><br><br><br><br><br>At least 1 | At least 2<br>5 years<br><br><br><br><br><br>At least 1 |

| | A/I LFMC | Retail LFMC |
|---|---|---|
| *who has 5 years of experience in portfolio management that is relevant to the investment activities of the FMC and the asset classes and markets that it will invest in.* | | |
| (iii) **Number of relevant professionals:**<br>**Minimum years of relevant experience:**<br>*Relevant professionals are Singapore-based individuals employed full-time in the day-to-day operations of the company. They may include the executive directors, CEO and representatives of the FMC.* | At least 2<br>5 years | At least 3<br>5 years |
| (iv) **Number of full-time representatives residing in Singapore:**<br>*Representatives are individuals who conduct regulated fund management activity such as portfolio construction and allocation, investment decision making, deal sourcing/origination, trade execution, research and advisory, business development and marketing or client servicing. These individuals would need to be appointed representatives of the FMC, regardless of whether they work full-time for the FMC, are employed by the FMC, or are employed by another entity that is affiliated with or related to the FMC.*<br>*As a matter of good internal control and for proper segregation of duties, individuals who are responsible for, or involved in control functions, or middle or back-office functions such as risk management, compliance, operations and finance should not be appointed representatives of the FMC.*<br>*FMCs should carry out substantive fund management activity in Singapore and have their representatives based in Singapore. Should there be exceptional reasons for an FMC to* | At least 2 | At least 3 |

| | A/I LFMC | Retail LFMC |
|---|---|---|
| *base a representative overseas, the FMC must have adequate compliance oversight over the overseas representative. FMCs should not have a disproportionate number of their representatives based overseas.*<br>*Representatives are required to meet applicable minimum entry and examination requirements as set out in the "Notice on Competency Requirements for Representatives of Holders of Capital Markets Services Licence and Exempt Financial Institutions [SFA04-N22]" and any other relevant notices issued by MAS.* | | |

**Appendix 2**

# A2 Minimum Compliance Arrangements

**Table A2 – Minimum Compliance Arrangements**

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

**Appendix 3**

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

**Table A3-1 – Minimum PII Coverage**

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

**Table A3-2 – Minimum PII Coverage**

| Feature | Coverage |
|---|---|
| Persons covered | The licensee and all of its representatives. |
| Areas to be covered | Baseline:<br>(i) Breach of professional duty by FI or its representatives.<br>(ii) Infidelity or dishonesty of the licensee, its employees, agents or contractors.<br>(iii) Loss of documents evidencing title of assets belonging to customers.<br><br>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.<br><br>The minimum amount applicable to a FMC, as set out in Table A3-1, should apply to each of the baseline items (i), (ii) and (iii) under the PII policy.<br><br>Where a claim is awarded under a formal legal proceeding, the minimum limit of indemnity available for the settlement of claims to customers should be as set out in table A3-1. For instance, licensees may either obtain a PII policy where legal costs are paid in addition to the minimum limit of indemnity or |

| | |
|---|---|
| | by sufficiently increasing the level of cover to take legal costs into account. |

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

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

**Table A3-3 – Conditions for Acceptance of Alternative PII**

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

**Appendix 4**

# A4 Requirements for Venture Capital Fund Managers

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

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

(i) no more than 20% of each fund’s committed capital (excluding fees and expenses) can be invested in unlisted business ventures that have been incorporated for more than ten years at the time of the initial investment, and/or the investment is made through acquisitions from other investors in the secondary market (i.e. “non-qualifying investments”);

(ii) other than non-qualifying investments of no more than 20% of each fund’s committed capital, any investments from the remaining committed capital (excluding fees and expenses) must be in specified products that are directly issued by unlisted business ventures that have been incorporated for no more than ten years at the time of initial investment (“qualifying investments”). Any follow-on investment in such qualifying investments will remain as qualifying, even if the portfolio company no longer meets the under-10 year vintage at the point of the follow-on investment;

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

(iv) the funds are offered only to accredited investors as defined under the SFA or investors in an equivalent class under the laws of the country where the offer is made, and/or institutional investors, except as allowed under paragraph 2.2.2(ii).

For the avoidance of doubt, a VCFM’s funds can only make investments (non-qualifying or otherwise) in unlisted assets. The funds cannot invest in listed securities or initial public offerings. However, this does not preclude a VCFM’s funds from holding listed securities in portfolio companies, provided that the fund had acquired these securities prior to their listing. VCFMs are not expected to reclassify an investment from qualifying to non-qualifying if its portfolio company’s securities become listed.

Allowing 20% of committed capital to be invested in non-qualifying investments provides VCFMs with more flexibility with respect to their investments. Notwithstanding this, to ensure that the objective of the VCFM regime (i.e. to facilitate the funding of early stage start-up businesses by increasing their access to equity funding) is met, MAS expects VCFMs to focus primarily on venture capital investing, and the bulk of drawn capital from funds being managed by a VCFM should be applied towards venture capital investments (i.e. investments in securities that are directly issued by unlisted business ventures that have been incorporated for less than 10 years).

4.2 **Admission & Ongoing Requirements** – A VCFM needs to hold a CMS licence for fund management. All VCFMs are exempt from the specified provisions, as stated in regulation 14(5) of the SF(LCB)R[13], and Part III of the SF(FMR)R (collectively, the "specified requirements"). Apart from these exemptions, and unless otherwise specified, VCFMs should meet the requirements that apply to fund management companies, including but not limited to the following:

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

(ii) Place of Incorporation – Be a Singapore incorporated company that has a permanent physical office in Singapore. The office should be dedicated, secure and accessible only to the VCFM's directors and staff.

(iii) Key personnel – Have at least two directors, at least one of whom should be full-time and resident in Singapore; and at least two full-time professionals and representatives[14] resident in Singapore, who may include the directors. Nominee directors such as legal advisers or corporate secretaries will not count towards meeting this requirement.

(iv) Disclosure – Disclose to investors that they are not subject to the specified requirements that are imposed on other FMCs.

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

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

(vii) Reporting of Misconduct – VCFMs shall comply with the misconduct reporting requirements set out in the Notice on Reporting of Misconduct of Representatives by Holders of CMS Licence and Exempt Financial institutions [SFA04-N11].

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

[13] The "specified provisions" refer to (a) Division 2 of Part 9 of the SFA; (b) Divisions 2 and 3 of Part 5 of the SFA; (c) sections 96 and 97A to 97I of the SFA; (d) Parts III, IV and V of the SF(LCB)R; and (e) regulations 3A, 3B, 3C, 4, 4A, 5, 9A, 11B, 12, 13, 13A, 13B and 13C of the SF(LCB)R.

[14] Please refer to *Appendix 1* for information relating to representative appointments.

(ix) Periodic Returns – Please refer to the compliance toolkit published on the MAS website.

4.3 **Applications** – Applicants seeking to be admitted under the VCFM regime are to submit Form 1V through the MAS' CeL system.

---

Updated on 1 August 2024