



Circular No. CFC 03/2022

30 September 2022

To:

Holders of a capital markets services licence in respect of fund management for retail investors

Dear Sirs

GUIDANCE ON REQUIREMENTS THAT ARE APPLICABLE TO EXCHANGE TRADED FUNDS PARTICIPATING IN THE SZSE-SGX ETF LINK

1 On 28 December 2021, Singapore Exchange Limited (“**SGX**”) announced the signing of a Memorandum of Understanding with Shenzhen Stock Exchange (“**SZSE**”) to establish an exchange-traded fund (“**ETF**”) link (the “**SZSE-SGX ETF Link**”) for the listing of feeder ETFs on SGX that will feed into master ETFs that are listed on SZSE and vice versa.

2 This Circular provides guidance on the requirements that are applicable to a Singapore-constituted feeder ETF which intends to participate in the SZSE-SGX ETF Link.

Feeder ETF – Authorisation and disclosure requirements

3 The feeder ETF must comply with the authorisation and disclosure requirements for collective investment schemes under the Securities and Futures Act 2001 and the Code on Collective Investment Schemes¹ (the “**Code**”).

4 The feeder ETF is also subject to the applicable listing rules of the Singapore Exchange Securities Trading Limited.

Master ETF – Eligibility Requirements

5 Under paragraph 2.11 of Appendix 1 of the Code, a scheme may invest up to 100% of its net asset value in another scheme only if the underlying scheme is an authorised or recognised scheme or is a scheme that satisfies the following requirements under paragraph 1.4(b) of Appendix 1 of the Code:

- (a) is constituted and regulated in a jurisdiction where laws and practices afford to participants in Singapore protection at least equivalent to that afforded to participants of schemes which are wholly managed in Singapore;

¹ Including Appendix 1 and Appendix 5 of the Code.

- (b) adheres to investment and borrowing guidelines which are substantially similar to those set out in the relevant appendices of the Code; and
- (c) has a manager that is reputable and supervised by an acceptable financial supervisory authority.

6 In assessing an application for authorisation from a feeder ETF, MAS will deem a SZSE-listed master ETF to have satisfied the requirements under paragraph 1.4(b) of Appendix 1 of the Code if all of the following criteria are met:

- (a) the master ETF is a publicly offered securities investment fund registered with the China Securities Regulatory Commission (“**CSRC**”) under the Securities Investment Fund Law of the People's Republic of China, and is managed by a management firm that is licenced by the CSRC to manage publicly offered securities investment funds;
- (b) the master ETF has been listed on SZSE for at least one year, and meets one of the following criteria, at the time of the authorisation of the feeder ETF –
 - (i) the master ETF has a fund size of at least S\$150 million; or
 - (ii) the master ETF has a fund size of at least S\$50 million and the manager of the master ETF has assets under management of at least S\$1 billion globally;
- (c) the manager of the master ETF has a track record in managing investments for at least five years;
- (d) the master ETF, its manager and its trustee/custodian have a good compliance record with respect to the rules and regulations of its home jurisdiction. The manager of the feeder ETF is expected to establish to the satisfaction of MAS that this requirement is met;
- (e) the master ETF uses only a full or sampling based physical replication strategy to track its underlying index;
- (f) any securities lending transaction or securities repurchase transaction (as the case may be) carried out by the master ETF must be for the sole purpose of efficient portfolio management; and
- (g) the total value of securities subject to all the securities lending transactions and securities repurchase transactions entered into by the manager of the master ETF must not exceed 50% of the net asset value of the master ETF at any time.

Yours faithfully

KEE RUI XIONG
EXECUTIVE DIRECTOR
CORPORATE FINANCE & CONSUMER DEPARTMENT