



Circular No. CMI 13/2021

31 May 2021

To:

Chief Executive Officers of all Capital Markets Services Licence Holders for the Regulated Activity of Fund Management, and Registered Fund Management Companies under the Securities and Futures Act (Cap. 289) (SFA)

Dear Sir/Madam

REPORTING OF SIGNIFICANT REDEMPTION, GATING AND SUSPENSION OF FUNDS

The Covid-19 pandemic has inflicted a substantial negative shock on the global economy. Amidst a spike in market volatility in March 2020, the asset management sector experienced a period of heightened portfolio outflows and liquidity pressures. Valuation uncertainties also impacted funds that had holdings in certain asset classes such as fixed income and real estate. While global economic activity is expected to recover moderately with the easing of the health crisis and continued policy support, the potential for high market volatility remains¹.

2 We reminded fund management companies (FMCs) in March 2020 via Circular CMI 09/2020 of the importance of having in place effective liquidity risk management to mitigate potential mismatches between the liquidity of a fund's assets and liabilities, and safeguard investors' interests. FMCs that manage authorised collective investment schemes (CIS)² have also been required to report significant daily redemptions in such CIS to MAS since April 2020, using a Significant Redemption Report (SR Report)³. The information in the SR Reports allows MAS to assess the impact of significant fund outflows on investors. In this regard, we noted that the majority of funds have been able to meet redemption requests on a timely basis. Some FMCs have utilised certain liquidity management tools, such as swing pricing, to address fund-specific liquidity issues and/or surges in investor redemptions.

¹ MAS (Oct 2020), "Macroeconomic Review Volume XIX Issue 2". <https://www.mas.gov.sg/-/media/MAS/EPG/MR/2020/Oct/MROct20.pdf>.

² This refers to CIS authorised pursuant to section 286 of the Securities and Futures Act (Cap. 289) (SFA).

³ Email sent by MAS in April 2020 to FMCs that manage authorised CIS.

Reporting of Significant Redemptions

Authorised CIS

3 From the submissions of significant daily redemptions, MAS noted instances of consecutive outflows for certain CIS. As portfolio outflows could persist or have significant cumulative impact over an extended period, MAS will require FMCs to report aggregate net redemptions exceeding 10% of an authorised CIS' total assets under management (AUM) over a calendar week. This will be in addition to the requirement to report net redemptions exceeding 5% of the CIS' total AUM in any given dealing day. The SR Report continues to require information on FMCs' activation of liquidity management tools and the impact to investors.

Restricted or Exempt CIS

4 MAS will extend the reporting of significant redemptions to other open-ended CIS, in particular restricted and exempt CIS⁴ where the FMC is the primary investment manager, as liquidity stress and disorderly fund liquidations in this space could have spillover effects on the broader asset management sector. Given the heterogeneity of dealing structures (e.g. dealing frequency) in CIS that are offered to non-retail investors, the reporting thresholds will be tailored as follows:

- (i) Daily dealing CIS – net redemptions exceeding 5% of the CIS' total AUM in any given day, or aggregate net redemptions exceeding 10% of the CIS' total AUM over one calendar week;
- (ii) Weekly dealing CIS – aggregate net redemptions exceeding 5% of the CIS' total AUM over one calendar week; and
- (iii) Other dealing frequency CIS – aggregate net redemptions exceeding 10% of the CIS' total AUM over the applicable dealing period.

5 Please refer to the Appendix for the reporting timeline and format for the SR Reports for authorised CIS and restricted or exempt CIS.

⁴ These refer to CIS registered pursuant to section 305 of the SFA (i.e. "Restricted CIS"), and CIS that fall within the specified exemptions under sections 302B, 302C, and 304 of the SFA (i.e. "Exempt CIS").

New Format for Reporting of Fund Gating and Suspension

6 Presently, FMCs report the suspension of fund dealings or the activation of gating measures⁵ to MAS verbally or via email. To ensure consistency in the information provided, MAS will introduce a Fund Gating and Suspension Report (FGS Report) listed in the Appendix for all CIS that the FMC manages, advises, acts as a representative of, and/or offers⁶.

7 To facilitate ease of reporting, FMCs do not need to file an FGS Report if the gating or suspension of a CIS has already been notified to MAS via an SR Report, in connection with a surge in redemptions.

8 The SR Reports and FGS Report listed in the Appendix will take effect on 14 June 2021. Please contact your MAS officer-in-charge if you require any clarification. Thank you.

Yours faithfully

(Sent via MASNET)

TAN KENG HENG

EXECUTIVE DIRECTOR

CAPITAL MARKETS INTERMEDIARIES DEPARTMENT II

⁵ As set out in paragraph 5.7 of the Guidelines on Liquidity Risk Management Practices for Fund Management Companies, any suspension of redemptions and activation of gating measures should be notified to MAS immediately.

⁶ These refer to CIS authorised pursuant to section 286 of the SFA, CIS recognised pursuant to section 287 of the SFA, CIS registered pursuant to section 305 of the SFA, and CIS that fall within the specified exemptions under sections 302B, 302C, and 304 of the SFA. This includes CIS for which the FMC has been contracted to provide fund management or investment advisory services (including under sub-management or sub-advisory arrangements for a portion of the CIS' assets), and CIS for which the FMC acts as a representative.

Appendix

Significant Redemption Reports

CIS	Reporting Threshold	Reporting Timeline	Submission Link
Open-ended authorised CIS managed by the FMC	(i) Single-day net redemptions > 5% AUM (ii) Weekly aggregate net redemptions > 10% AUM	(i) within 1 business day (ii) within 3 business days	https://go.gov.sg/sr-report ⁷
Open-ended restricted or exempt CIS managed by the FMC	<u>Daily dealing CIS</u> (i) Single-day net redemptions > 5% AUM (ii) Weekly aggregate net redemptions > 10% AUM <u>Weekly dealing CIS</u> (iii) Weekly aggregate net redemptions > 5% AUM <u>Other dealing frequency CIS</u> (iv) Aggregate net redemptions over the CIS' dealing period > 10% AUM	(i) within 1 business day (ii) within 3 business days (iii) within 3 business days (iv) within 3 business days	

⁷ Please note that this submission link will supersede the submission link that was disseminated to retail FMCs in April 2020.

Fund Gating and Suspension Report

CIS	Reporting Timeline	Submission Link
All CIS that the FMC manages, advises, acts as a representative of, and/or offers	Within 3 business days	https://go.gov.sg/fqs-report