



Monetary Authority of Singapore

SECURITIES AND FUTURES ACT (CAP. 289)

FREQUENTLY ASKED QUESTIONS (FAQs) ON THE LICENSING AND REGISTRATION OF FUND MANAGEMENT COMPANIES

Disclaimer: These FAQs are meant to provide guidance to the industry on the licensing and registration of fund management companies. They do not constitute legal advice. MAS expects industry participants to retain their independent legal counsel to advise them on how their business operations should be conducted in order to satisfy legal and regulatory requirements, and to advise them on all applicable laws, rules and regulations of Singapore.

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A Registration and Licensing Requirements

1. Dealing in Securities – What type of licence is required for an FMC that intends to market funds to end investors or intermediaries? Are there any exemptions available for these activities?

An FMC that engages in marketing funds to end investors or intermediaries may be considered to be dealing in securities under the SFA. Where the funds are structured as CIS, the FMC may be considered to be marketing CIS under the FAA. An FMC, whether licensed or registered, may be exempt under paragraph 2(b)(i) of the Second Schedule to the SF(LCB)R, from the need to hold a CMS licence for dealing in securities where its fund-marketing activities (either for closed-end funds or CIS) are solely incidental to its fund management business. For instance, an FMC that markets funds for which it is the investment manager or investment sub-adviser, would qualify for the exemption.

In addition, under paragraph 2(k) of the Second Schedule to the SF(LCB)R, an FMC responsible for CIS that is authorised under s286 of the SFA, recognized under s287 of the SFA; or exempted under Subdivision (4) of Division 2 of Part XIII of the SFA, would be similarly exempted from the need to hold a CMS licence for dealing in securities being units of that CIS or the underlying securities that the CIS invests in.

2. Central Dealing – Is an FMC allowed to conduct central dealing activity for funds managed by its related entities?

Yes; an LFMC that conducts central dealing activity for funds managed by its related entities should apply to add to its licence the regulated activity of dealing in securities, trading futures contracts or leveraged foreign exchange trading, as may be applicable, depending on the type of financial instruments to be traded or dealt in. The FMC should ensure that it has met the relevant licensing requirements applicable to these activities, and has the requisite risk management systems and controls that are commensurate with the scale and complexity of the central dealing function. An RFMC should not engage in central dealing for funds managed by other persons, including its related entities.

3. Securities Borrowing & Lending – Is an FMC allowed to conduct the business of securities borrowing and lending in respect of its clients' portfolios?

Engaging in securities borrowing and lending is considered to be dealing in securities. As provided in paragraph 2(b)(i) of the Second Schedule to the SF(LCB)R, an FMC may deal in securities, so long as such activity is solely incidental to its fund management business.

4. Independent Custody – Would the requirement for independent custody of managed assets apply to an FMC that provides advice or research to other investment managers in respect of those managed assets?

An FMC that acts as investment adviser, sub-adviser, or that provides research to another investment manager should satisfy itself that the assets that it advises on are subject to independent custody as required under Regulation 13B(1)(c) of the SF(LCB)R. Notwithstanding that the FMC would not have direct responsibility for appointing the custodian, it must be able to demonstrate that it has taken reasonable steps to ascertain that the assets are subject to adequate safeguards including independent custody.

5. Private Equity and Venture Capital Assets – Are there circumstances where an FMC need not subject its managed assets to independent custody?

The requirement for independent custody of managed assets would not apply if the managed assets are not listed for quotation or quoted on a securities exchange, and are interests in a closed-end fund where the closed end fund is to be used for private equity or venture capital investments; and is offered only to accredited or institutional investors, as set out in Regulation 13B(4) of the SF(LCB)R.

If the managed assets are not subject to independent custody arrangements, the FMC is required to disclose this fact to the investors and to obtain their acknowledgement. The FMC is also required to provide the investor with an audit report of the assets each year.

Notwithstanding this, an FMC that manages private equity and venture capital funds is required to fully comply with client segregation requirements in respect of client moneys.

6. Immovable Assets – My company plans to manage a fund that will invest into immovable assets (i.e.: real estate and infrastructure). Are we required to apply for a CMS licence in fund management?

A company need not be registered with or licensed by MAS if it manages a fund that invests solely in immovable assets or in securities issued by investment holding companies whose sole purpose is to invest into real estate development projects and/or real estate properties; and where the fund is offered only to accredited and/or institutional investors. This is regardless of the size of the company's stake in the real estate development projects, the relationship between the developer and the company, the stage of completion of the development project and the receipt of any subsequent income yield following the completion of the project.

This exemption will not apply if the company is also engaged in the management of financial derivatives if such financial derivatives fall within the definition of “securities” or “futures contracts” as defined in the SFA; or in the management of investments into other real estate funds and schemes.

7. Property Management – My company’s primary business involves the management of property, infrastructural and other physical assets on a day-to-day basis. Are we required to apply for a CMS licence in fund management?

Licensing or registration requirements would only apply where:

- (a) the manager of the assets is an external (i.e.: non-in house) manager;
- (b) the managed assets (whether in whole or in part) comprise a portfolio of securities and futures contracts; and
- (c) the manager is in the business of fund management. This means that the company's business involves making investment decisions regarding a pool of moneys or assets, on behalf of customers. This is in contrast to a company whose primary business involves the day-to-day operation and management of property or infrastructural assets.

Managers of property funds that meet the criteria of a REIT as defined in the Second Schedule to the SFA, will be treated as REIT managers and are required to hold a CMS licence under the SFA to conduct REIT management.

8. Reporting of Immovable Assets – My company is considering to apply for a CMS licence for fund management. A portion of the assets managed by my company are invested in immovable real estate assets. Do we have to include the portion of the managed assets invested in real estate assets in the managed assets computation for purposes of licensing and statutory reporting?

Yes. The company should include immovable assets in the reporting of its managed assets, notwithstanding the exemption set out in paragraph 5(1)(h) of the Second Schedule to the SF(LCB)R.

9. **Engagement of Audit Firms – Can my company engage the same audit firm who audits the annual financial statements to provide internal audit services to the company? Can we engage the same audit firm who audits the funds which we manage or advise, to provide internal audit services to the company?**

As good governance, MAS generally discourages the appointment of the same audit firm to provide both external and internal audit services to an FMC. There are areas where the scope of review by both external and internal auditors may overlap, such as expense charging, and compliance with capital and business conduct requirements. The employment of the same audit firm may impair the objectivity and diminish the check and balance between the two functions. In exceptional circumstances where an FMC would like to do so, it should demonstrate to MAS that the audit firm has appropriate safeguards to minimize threats that may impair the independence of the audit firm in providing both external and internal audit services to the FMC.

10. **Internal Audit Arrangements – My company would like to operate as an RFMC. What is considered to be adequate internal audit arrangements for my company?**

Taking into consideration the size of the assets managed and number of investors that an RFMC may serve, MAS would consider there to be adequate audit arrangements if the RFMC has in place a process for regular internal reviews on the effectiveness of internal systems and controls. The CEO and directors of an RFMC are ultimately responsible for ensuring there are adequate internal controls within the RFMC and should take reasonable measures to ensure that internal controls are effective to address the risks arising in the course of the RFMC's operations.

11. **Directors – What is the difference between an Executive Director and Non-Executive Director?**

Executive Directors are employed by the FMC and involved in the day-to-day running and making executive decisions on behalf of the business or operations of the FMC. They are expected to be resident in Singapore to oversee the activities of the FMC. Non-Executive Directors provide oversight as members on the Board of Directors, but are not involved in the day-to-day business or operations of the FMC. The job titles and designations of directors should reflect the substance of the role and responsibilities of the individual. For example, it would be inappropriate for a director who does not have executive responsibilities to use the designation of “Managing Director” or “Executive Director”, or conversely deem one who is employed by the FMC and involved in the running of the FMC as a “Non-Executive Director”.

12. Experience of Directors and Relevant Professionals – What kind of relevant work experience do Directors, Relevant Professionals and CEO need to have?

Directors and Relevant Professionals' past work experience should be assessed in the context of the role that the individual will perform in the FMC. Directors and the CEO should also have managerial experience or experience in a supervisory capacity as part of their relevant experience.

Executive Directors and Relevant Professionals should have relevant experience in the financial services industry. In the case of FMCs who manage or advise private equity and venture capital ["PEVC"] funds, relevant experience may include experience in industries which are similar in nature to those of the investee companies being held (or to be held) by the PEVC fund being managed or advised by the FMC.

Non-Executive Directors are generally expected to be able to contribute to enhancing the quality of decision-making and oversight of the Board of Directors of the FMC. The FMC should be able to demonstrate that a proposed Non-Executive Director can add value and make a meaningful contribution to the FMC, based on his past work experience, qualifications and track record.

13. Clientele Restrictions – My company holds a CMS licence to conduct fund management activity; we are restricted by our licence condition to manage investment funds only for accredited or institutional investors (an A/I LFMC). Are there situations where we can manage or provide advice to funds offered to non-accredited and non-institutional (i.e. retail) investors?

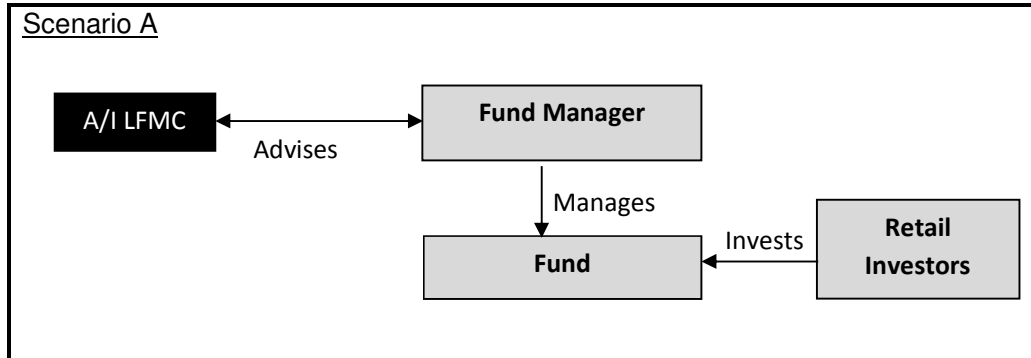
If an A/I LFMC wishes to manage funds offered to retail investors in Singapore, it may approach MAS to request a review of its licence condition. However, it should satisfy itself that it has met the admission criteria for a retail manager; these are set out in the Guidelines on Licensing, Registration and Conduct of Business for FMCs [SFA04-G05]. The A/I LFMC should also have or have plans to invest in resources and systems to handle retail investment funds. In assessing whether an A/I LFMC is ready to manage funds for retail investors, MAS considers various factors including the ability and willingness of the A/I LFMC to commit resources to handle retail funds, the quality of governance and controls implemented by the A/I LFMC, as well as the adequacy of its compliance and audit arrangements. The A/I LFMC should consult MAS early on its plans.

The Guidelines SFA04-G05 are available at this link:

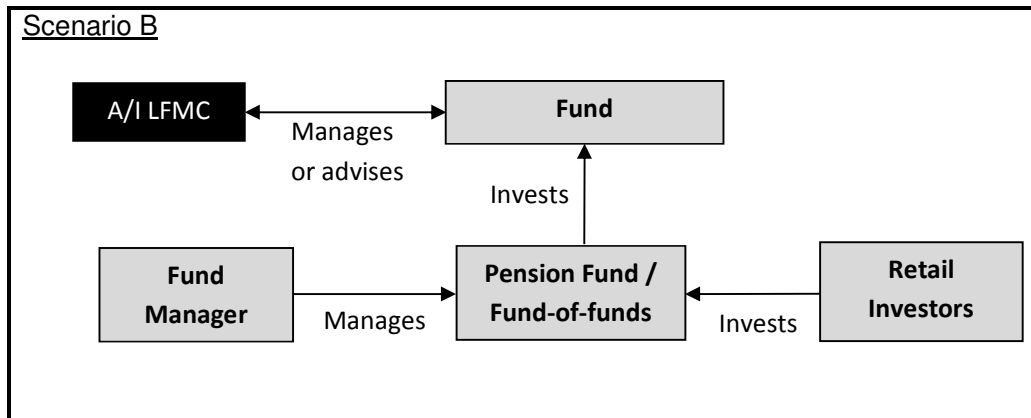
<http://www.mas.gov.sg/Regulations-and-Financial-Stability/Regulations-Guidance-and-Licensing/Securities-Futures-and-Funds-Management/Guidelines/2016/Guidelines.aspx>

Notwithstanding the clientele restrictions that are imposed on an A/I LFMC, there are situations where an A/I LFMC is allowed to be involved with retail funds:

Scenario A – The A/I LFMC may perform the role of a sub-manager or adviser to another regulated fund manager which meets the definition of an accredited or institutional investor, and is authorized or licensed to manage investment funds for retail investors in the jurisdiction where the funds are offered. The regulated fund manager and the fund offer can be in Singapore or overseas. This is illustrated below:



Scenario B – An A/I LFMC may also be the investment manager, sub-manager or adviser to a fund which another pension fund or fund-of-funds invests in. This other pension fund or fund-of-funds is managed by another fund manager, has to meet the definition of an accredited or institutional investor itself, and may have retail investors. The manager of the pension fund or the fund-of-funds, and the fund offer may be in Singapore or overseas. This is illustrated in the following diagram:



Scenario C – Where an A/I LFMC wishes to manage investment funds which are authorised by a foreign regulator to be offered to retail investors in a *foreign* jurisdiction, the A/I LFMC can approach MAS to review the clientele restrictions on its licence.

Before requesting MAS for the review, the A/I LFMC should ensure that it has obtained the requisite approval from the foreign regulator who is aware of the A/I LFMC's clientele restriction in Singapore. In reviewing the request, MAS considers various factors including the ability of the A/I LFMC to adequately serve the needs of its existing accredited and institutional investors. Each case will be considered on its own merits.

Please contact the Capital Markets Intermediaries Department for enquiries or requests relating to licence restrictions and conditions.

14. Provision of Financial Advice – Is the provision of information on investment products managed by an FMC or its related companies considered financial advice? What kind of notification does the FMC have to file with MAS?

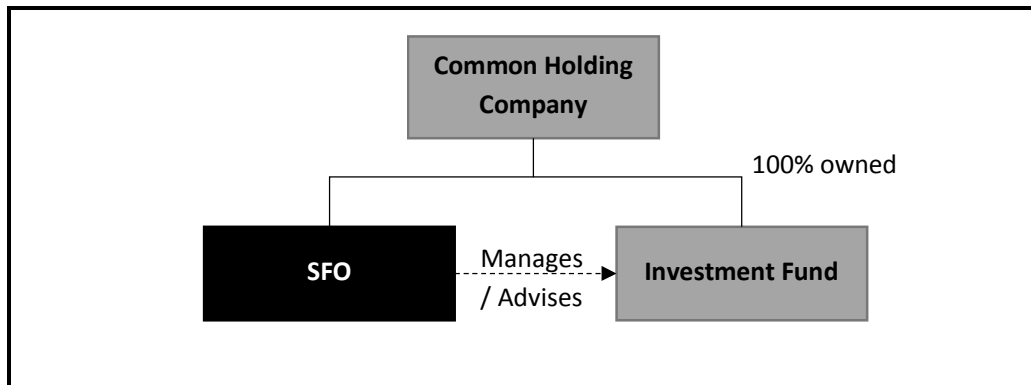
An FMC may in the course of managing funds provide factual information on investment products managed by the FMC or its related corporations. Factual information in this context refers to information which do not take into account the specific investment objectives, financial situation and the particular needs of any person who may receive the information. The provision of factual information is not considered to be a financial advisory activity. FMCs are not required to file the notification with MAS to operate as an Exempt Financial Adviser for providing factual information on its investment products to customers.

15. Single Family Office (SFO) – How is an SFO defined for licensing or regulatory purposes? Is an SFO required to be licensed under the SFA and/or the FAA?

The term ‘single family office’ is not defined under the SFA. An SFO typically refers to an entity which manages assets for or on behalf of only one family and is wholly owned or controlled by members of the same family. The term ‘family’ in this context may refer to individuals who are lineal descendants from a single ancestor, as well as the spouses, ex-spouses, adopted children and step children of these individuals.

It is not MAS’ intention to license or regulate SFOs. There are existing class exemptions from licensing under the SFA and FAA for the provision of fund management and financial advisory services respectively to related corporations.

An SFO may rely on the exemption provided for a corporation which manages funds for its related corporations, under paragraph 5(1)(b) of the Second Schedule to the SF(LCB)R. An example of an ownership structure for an SFO which could fall under this exemption is illustrated below:



An SFO that provides financial advisory services to its related corporations may rely on an existing exemption from licensing under regulation 27(1)(b) of the Financial Advisers Regulations.

[Added in Feb 2017]

16. Case-by-case Exemption for Single Family Office (SFO) – Can an entity which does not fall within the scope of existing class licensing exemptions apply for a licensing exemption?

Yes, an entity that is in substance managing funds on behalf of a single family only, but that does not fall neatly within the scope of existing class licensing exemptions may seek a licensing exemption from MAS under section 99(1)(h) of the SFA.

The following information would be useful to facilitate MAS' assessment of such an application for exemption to be an SFO:

- Names of the shareholders and directors of the SFO;
- A chart depicting the shareholding structure of the SFO;
- A description of how the SFO is related to the investment fund vehicle and the family/beneficiaries;
- A description of the profile of the family whose assets will be managed by the SFO; and
- A description of the nature of activities to be carried out by the SFO.

MAS considers the following arrangements to be broadly typical of SFO arrangements. An SFO which has (or plans to have) these arrangements is advised to include the information when applying for licensing exemption:

- Where there is no common holding company, but the assets managed by the SFO are held directly by natural persons of a single family;
- Where assets are held under a discretionary trust, the settlor of the trust and the beneficiaries are members of the same family;
- Where a family trust is set up for charitable purposes, the charitable trusts are funded exclusively by settlor(s) from a single family;
- Where non-family members such as key employees of the SFO are shareholders in the SFO for the purpose of alignment of economic interest and risk-sharing, the initial assets and additional injection of funds are funded exclusively by a single family.

MAS may take between two and four months to review an application for licensing exemption, depending on, *inter alia*, the complexity of the arrangement, quality of the information submitted, and responsiveness of the applicant.

[Added in Feb 2017]

B Registration and Licensing Procedures

17. Processing Time – How long would MAS take to process a registration or licensing application?

MAS will take approximately 4 months to process and approve an application. To expedite the review process, an applicant should satisfy itself that it fully meets the admission criteria, and has ensured that the application is complete, free of errors or inconsistencies, and is accompanied by the requisite supporting documents as stated in the application form.

MAS reserves the right to terminate the processing of an application where the applicant is unable to meet the admission criteria, when there are significant information gaps or inconsistencies, or when the applicant is unable to satisfactorily address MAS' queries in a timely manner. The applicant may re-submit a fresh application to MAS when it is ready to do so.

18. Quality of Submissions – What does MAS consider to be a good quality submission for a licence or registration?

Good quality submissions have the following features:

- A clear description of the applicant's business model and plans, which are supported by the professional experience and expertise of the proposed management team. The business plan sets out the investment focus or strategy to be adopted, assets and markets where investments will be made, the profile of potential investors and distribution plans or channels;
- A clear description of risk management, compliance and audit arrangements which are in line with the nature of the proposed fund model;
- For applicants which are part of a global fund management group, a clear explanation of the applicant's role in Singapore together with the functions or services that it will receive and/or provide to related corporations within the group (if any);
- Documentary evidence of the applicant's ability to meet minimum base capital and financial requirements, including the ACRA business profile report and where available, the latest audited financial statements;
- Where regulatory action has previously been taken against the applicant or its related corporations, an assessment of the impact of the action and a description of the steps taken to effectively address the root cause of the regulatory breach; and
- Fit and proper declarations by the applicant for its shareholders, directors and representatives. In relation to shareholders, declarations are provided for: (i) shareholders with 5% or more direct or indirect voting power or ownership in the applicant, and (ii) where a shareholder is publicly listed company, persons who own or control 5% or more of the shares of the company.

19. **Concurrent Submissions** – My company has submitted a notification for commencement of business as an RFMC but has yet to be registered and listed on MAS' website. Can we submit a CMS licence application for fund management while the registration is being processed by MAS?

The company is strongly discouraged from submitting a CMS licence application for fund management while MAS is reviewing its notification for commencement of business as an RFMC as this may result in processing delays.

20. **Business Commencement for RFMCs** – Can my company commence business as soon as it submits its registration as an RFMC to the MAS?

MAS maintains an online directory of RFMCs on its website. Prior to being listed on this directory, an RFMC should not (a) represent itself as being registered with MAS; (b) enter into any investment management agreement; or (c) receive or invest any customer moneys.

The directory is available at this link: <https://masnetvc.mas.gov.sg/FID.html>

21. **Lapsing of CMS Licence or Registration** – What happens to my company's licence or registration if my company delays the commencement of fund management activity?

The CMS licence or registration status of an FMC will lapse if it has not commenced business in fund management within 6 months from the date of issuance of the CMS licence or registration, as the case may be. In the meantime, the relevant regulatory obligations apply upon the grant of licence or registration status, and FMCs should ensure that they are complied with at all times.

22. **Business Cessation** – What are the procedures for cessation of business by an FMC?

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.

An LFMC that intends to cease the conduct of regulated activity is required to return its licence to MAS and to file a notice of cessation of business - Form 7 of the SF(LCB)R, not later than 14 days after the cessation of its business.

An RFMC that intends to cease the conduct of regulated activity is required to file a notice of cessation of business - Form 24A of the SF(LCB)R, prior to the cessation.

C Representative Notification Regime

23. Applicability – Does the representative notification regime apply to the directors and staff of an FMC?

The representative notification regime applies to all individuals who conduct the regulated activity of fund management and/or other regulated activities that are integral to fund management. In a typical FMC setting, individuals who are engaged in portfolio management, as well as those who are engaged in activities such as client servicing, business development, marketing, research and dealing functions are generally required to be appointed as representatives.

An LFMC will have to notify MAS of its intention to appoint an individual as a representative via the CoRe system. Only individuals whose names are listed on the Public Register may carry out the regulated activities.

The SF(LCB)R FAQs provide more information on the representative notification regime, such as the requirements imposed on different types of representatives, circumstances under which an individual will cease to be a representative and how the Public Register may be accessed.

The SF(LCB)R FAQs are available at the following link:

<http://www.mas.gov.sg/Regulations-and-Financial-Stability/Regulations-Guidance-and-Licensing/Securities-Futures-and-Funds-Management/FAQs/2016/FAQs-on-LCB.aspx>

24. Central Dealers – Are the LFMC's central dealers subject to the representative notification regime?

An individual who is engaged in central dealing for funds managed by related entities of the LFMC would have to be an appointed, provisional or temporary representative in respect of dealing in securities and/or trading in futures contracts under the representative notification framework, depending on the assets or markets covered by the individual.

An individual who is engaged only in dealing for funds managed by the LFMC would have to be appointed as a representative for the regulated activity of fund management under the representative notification framework.

D VC Manager Regime

25. Type of Funds – Can a fund manager that manages both VC and PE funds operate under the VC Manager Regime?

A fund manager may operate under the VC Manager Regime if and only if all of the funds that it manages meet the following eligibility criteria:

- (a) invest at least 80% of committed capital in securities that are directly issued by an unlisted business venture that has been incorporated for no more than ten years at the time of initial investment; and
- (b) be allowed to invest up to 20% of committed capital in other unlisted business ventures that do not meet sub-criterion (a), i.e. they 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 (e.g. other VC funds and existing owners) in the secondary market.
- (c) do not accept new subscription after the close of the fund. In addition, redemption should only be available at the end of the fund life; and
- (d) are offered only to accredited and/or institutional investors.

[Added in Oct 2017]

26. Transitional Arrangements – How can an existing FMC transition into the VC Manager Regime?

An existing FMC that intends to transition into the VC Manager Regime should first ascertain that all of the funds that it manages meet the eligibility criteria set out in FAQ 25. It should then submit Form 1V to MAS. The FMC should continue to comply with all existing business conduct and other regulatory requirements until it is informed by MAS that it can operate under the VC Manager Regime.

[Added in Oct 2017]

Issued on 16 November 2012

Updated on 15 January 2016, 19 September 2016, 20 October 2017

Appendix**Acronyms Used In These FAQs***Listed Alphabetically*

CIS	Collective Investment Scheme
CMS	Capital Markets Services
CoRe System	Corporations and Representatives System
FAA	Financial Advisers Act
FMC	Fund Management Company. This term is used to refer to LFMC and RFMC collectively.
LFMC	Licensed Fund Management Company
REIT	Real Estate Investment Trust
RFMC	Registered Fund Management Company
SFA	Securities And Futures Act
SF(LCB)R	Securities And Futures (Licensing And Conduct Of Business) Regulations
VCFM	Venture Capital Fund Manager