

2024 UPDATES TO THE FAQs ON THE LICENSING OF FUND MANAGEMENT COMPANIES

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Introduction

Singapore's Monetary Authority of Singapore (the "MAS") revised the FAQs on the Licensing of Fund Management Companies (the "FAQs") in June, August and September 2024. The FAQs are intended to provide guidance on the requirements and procedures to apply to be a fund management company and appoint representatives to carry out fund management activities.

Summary of the revisions to the FAQs

The revisions by the MAS to the FAQ cover the licensing requirements and procedures and the Venture Capital Manager Regime. We highlight the significant revisions to the licensing requirements and procedures below.

Licensing Requirements

Dealing in capital market products: Fund Management Companies ("FMCs") that engage in the marketing of funds to end investors or through fund distributors are considered to be dealing in capital markets products that are units in a collective investment scheme ("CIS") under the Security and Futures Act 2001 ("SFA"). However, the SFA and Second Schedule to the Securities and Futures (Licensing and Conduct of Business) Regulations ("SF(LCB)R") provide for exemptions from the need to hold a Capital Markets Services ("CMS") licence for dealing in capital markets products that are units in a CIS under certain circumstances, such as where they market funds that they manage, or funds that are managed by their related corporations, where the FMC's marketing activity is limited to only the CIS it is responsible for, or where the FMC, in the course of managing customised or segregated mandates for customers (as opposed to managing collective investment funds), markets third party funds to its customers or invests customer monies into third party funds as part of the mandate. FMCs that deal in any capital markets products based on customer instructions given to the FMCs on an unsolicited basis are considered to be dealing in capital markets products. For example, the FMC could operate an online platform for customers to enter their own trade orders. Such an FMC would have to add the regulated activity of dealing in capital markets products to its CMS licence.

Central dealing: FMCs can conduct central dealing activity for funds managed by their related corporations, provided they apply to add to their licence the regulated activity of dealing in capital markets products and indicate 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 commensurate with the scale and complexity of the central dealing function.

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Immovable assets: A company need not be licensed by the 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 in real estate development projects and/or real estate properties; and where the fund is offered only to accredited and/or institutional investors. This exemption will not apply if the company is also engaged in managing financial derivatives if such derivatives fall within the definition of "specified products" or "futures contracts" as defined in the SFA; or in the management of investments into other real estate funds and schemes. This would not seem to preclude an exempt manager from using currency or interest rate swaps as hedging arrangements.

Property management: A company whose primary business involves the day-to-day operation and management of property, infrastructural assets or other physical assets is not required to apply for a CMS licence in fund management, unless: (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 capital markets products; 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. 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.

Internal audit arrangements: Considering the size of the assets managed and the number of investors that an FMC may serve, the MAS would consider there to be adequate audit arrangements if the FMC has a process for regular internal reviews on the effectiveness of internal systems and controls.

Clientele restrictions: For an FMC restricted to managing investment funds only for accredited or institutional investors (the "**A/I LFMC**"), there are specific situations where the FMC can be involved with retail funds. For instance, the A/I LFMC is a sub-manager or advisor to another FMC that meets the definition of an accredited or institutional investor and is authorised or licensed to manage investment funds for retail investors in the jurisdiction where it operates. Where an A/I LFMC wishes to manage investment funds 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.

Case-by-case exemption for Single Family Office ("SFO**"):** An SFO that does not fall neatly within the scope of existing class licensing exemptions may seek a licensing exemption from the MAS under section 99(1)(h) of the SFA.

Controlling stake held by FMC's management team: Where an FMC is not part of an established business group, the FMC may propose alternative measures for the MAS' consideration on a case-by-case basis. In

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its proposal, the FMC should elaborate on how its proposed measures would help stabilise the FMC's management team and support the alignment of the interests of the management team with that of third-party investors. The proposal should also reinforce the management team's ability to exercise effective control over the FMC's operations, for which they are accountable.

Licensing Procedures

MAS has expanded on its discussion of processing time, quality of submissions and lapsing of CMS licence.

[FAQs on the Licensing and Registration of Fund Management Companies](#)

Should you require any further information, please do not hesitate to contact Bill Jamieson:

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