

# GUIDE TO FAMILY OFFICES – A LEGAL PERSPECTIVE

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**Category:** [CNPupdates](#)

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Family offices are legal entities that carry out the administration and management of assets and investments of ultra-high net worth individuals or families (“**UHNW**”) for the purposes of capital preservation, succession planning and managing investments.

## Family office boom

In recent years, there has been a reported increase in the number of family offices, or private investment vehicles, being set up in Singapore. According to [Reuters](#), over the period between 2015 and 2017, the number of family offices in Singapore has quadrupled.

In our earlier [article published on 1 September 2015](#), we discussed some of the legal and regulatory compliance aspects of family offices in Singapore and each of the applicable tax incentive schemes. In this article, we discuss some of the exemptions from licensing requirements applicable to single-family offices.

## Single Family Office – Exemption from Licensing

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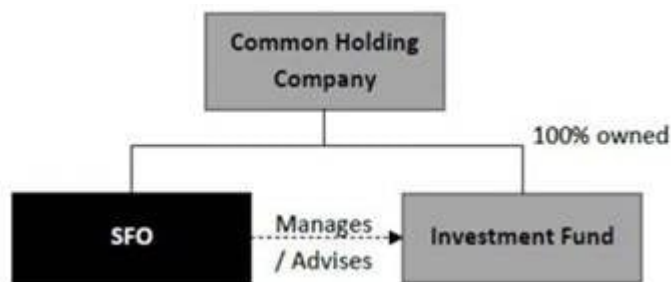
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## Requirements

A single-family office (“**SFO**”) typically refers to a legal entity which manages assets for or on behalf of only one family and is wholly owned or controlled by members of that same family. In an FAQ published on 6 February 2017 (updated on 8 October 2018) (“**FAQ**”), the Monetary Authority of Singapore (“**MAS**”) clarified the regulatory treatment for SFOs in Singapore (you may click [here](#) to access MAS’ FAQ updated on 25 March 2019).

MAS has clarified that it is not their intention to license or regulate SFOs. The term “family office” is neither defined under Singapore legislation nor the Securities and Futures Act (Chapter 289) (“**SFA**”). An SFO may rely on the exemption under paragraph 5(1)(b) of the Second Schedule to the Securities and Futures (Licensing and Conduct of Business) Regulations (“**SS(LCBR)**”), which provides an exemption for a corporation which manages funds for its related corporations.

An example of an ownership structure for an SFO which could fall under this exemption is illustrated below.



An SFO may rely on the exemption under the **SS(LCBR)** where it involves:

- a corporation which manages funds for its related corporations, under paragraph 5(1)(b) of the **SS(LCBR)**; or
- under para 5(1)(c) of Second Schedule of the **SS(LCBR)**, an individual who carries on business in fund management for or on behalf of –
  - (i) his spouse, son, adopted son, step-son, daughter, adopted daughter, step-daughter, father, step-father, mother, step-mother, brother, step-brother, sister or step-sister; or
  - (ii) a firm or corporation in which he or any of the persons referred to above has control of 100% of the voting power, where such control is exercised individually or jointly with any other persons referred to above.

Alternatively, 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.

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## Case by case exemption for SFOs

Where an entity managing funds does not fall neatly within such a scope, exemptions may still be available on a case-by-case basis. The entity may seek a licensing exemption from MAS under s 99(1)(h) of the SFA.

For the MAS to assess an application for licensing exemption as an SFO, MAS would typically require the following information:-

1. names of the shareholders and directors of the SFO;
2. a chart depicting the shareholding structure of the SFO;
3. a description of how the SFO is related to the investment fund vehicle and the family/beneficiaries;
4. a description of the profile of the family whose assets will be managed by the SFO; and
5. a description of the nature of activities to be carried out by the SFO.

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

## Typical SFO arrangements considered by the MAS

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 to MAS for 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 such 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; or
- 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.

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