

UPDATES TO THE GUIDELINES ON LICENSING AND CONDUCT OF BUSINESS FOR FUND MANAGEMENT COMPANIES

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Introduction

Singapore's Monetary Authority of Singapore (the "**MAS**") revised the Guidelines on Licensing and Conduct of Business for Fund Management Companies (the "**Guidelines**") on 10 December 2024. The revisions were to provide examples of mitigating conflicts of interest and good practices for mitigating these conflicts via the introduction of Appendix 5, "Examples of Mitigating Conflicts of Interest". In addition, paragraphs 4.1.3 (on Fund Management Companies ("**FMCs**", each an "**FMC**")) and 4.2(v) of Appendix 4 (on Venture Capital Fund Managers ("**VCFMs**")) were revised to refer to these examples in Appendix 5.

Summary of revisions to the Guidelines

We highlight the significant revisions to the Guidelines below.

The revisions to paragraph 4.1.3 elaborate on the mitigating measures that FMCs shall introduce for any actual or potential conflicts of interest, such as taking steps to prevent circumstances that could lead to actual conflicts arising and disclosing the implications of such conflicts. The revisions also clarify that Appendix 5 is not meant to be exhaustive nor prescriptive and should be adapted to the FMCs' unique circumstances. In addition, the revisions clarify that FMCs are expected to ensure that conflicts of interest are managed in the best interests of their customers, that they have the necessary mechanisms to identify such conflicts, that their policies developed to mitigate conflicts of interest are independently reviewed and approved by an appropriate level of authority, and that their assessment of the conflicts and mitigating measures taken are documented and made available to the MAS upon request. Similar revisions are made to paragraph 4.2(v) of Appendix 4 in the context of VCFMs.

The newly introduced Appendix 5 provides examples of conflicts of interest and good practices for mitigating these conflicts for the following scenarios:

- a. certain types of fees, which are not typically charged to customers, are charged to customers without adequate disclosure;
- b. the FMC procures services from related corporations or other entities in which the CEO, directors or representatives of the FMC have controlling interests or substantial shareholdings;
- c. the FMC, its related persons and/or related corporations co-invest in portfolio companies;
- d. the FMC manages funds and/or mandates with similar or overlapping investment strategies;
- e. a portfolio company is controlled and/or owned (whether partially or wholly) by the FMC, its related parties and/or the employees, directors, and/or shareholders of the FMC,
- f. at the end of a fund's life, the FMC:
 - i. extends the initial term of the fund life; or
 - ii. offers its customers the option to exchange their interests in the fund for new interests in another fund managed by the FMC or its related parties; and
- g. where the committee formed to review and approve conflicts of interest situations is not sufficiently independent, representative of all customers, or suitably qualified.

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We anticipate that FMCs and VCFMs will find the revised Guidelines particularly relevant and helpful in understanding the MAS's expectations on mitigating any actual or potential conflicts of interest.

[MAS's Guidelines on Licensing and Conduct of Business for Fund Management Companies](#)

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