

**APPENDIX 4**

**DRAFT GUIDELINES TO ALL HOLDERS OF A CAPITAL  
MARKETS SERVICES LICENCE FOR REAL ESTATE  
INVESTMENT TRUST MANAGEMENT**

**DISCLAIMER: This version of the Guidelines is in draft form and is subject to change.**

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## **GUIDELINES TO ALL HOLDERS OF A CAPITAL MARKETS SERVICES LICENCE FOR REAL ESTATE INVESTMENT TRUST MANAGEMENT**

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### **1 PURPOSE**

1.1 These Guidelines are issued pursuant to section 321 of the Securities and Futures Act (Cap. 289) ["SFA"] and apply to all holders of a capital markets services licence for real estate investment trust management ["REIT managers"].

1.2 These Guidelines set out guidance relating to minimum licensing criteria and corporate governance arrangements for REIT Managers.

1.3 These Guidelines should be read in conjunction with the provisions of the SFA, the Securities and Futures (Licensing and Conduct of Business) Regulations ["SF(LCB)R"], the Securities and Futures (Financial and Margin Requirements for Holders of Capital Markets Services Licences) Regulations ["SF(FMR)R"] as well as written directions, notices, codes and other guidelines that MAS may issue from time to time.

1.4 All terms used in these Guidelines shall, except where the context otherwise requires, have the same meaning as defined in the SFA, the SF(LCB)R, the SF(FMR)R and Notice SFA-Nxx ["Notice"].

### **2 CRITERIA FOR LICENSING**

#### General Criteria

2.1 A REIT manager should be a Singapore-incorporated company and have a permanent physical office in Singapore.

2.2 A REIT manager should satisfy MAS that it will discharge its duties, efficiently, honestly and fairly.

2.3 A REIT manager should satisfy MAS that its substantial shareholders, directors, representatives and employees, as well as the REIT manager itself, are fit and proper, in

accordance with the Guidelines on Fit and Proper Criteria [Guideline No. FSG-G01] issued by MAS.

2.4 A REIT manager should conduct the following activities, in relation to the management of the REIT, in Singapore:

- (a) accounting;
- (b) compliance; and
- (c) investor relations.

2.5 The Singapore operations of the REIT manager should have a meaningful role in the management of the REIT, relative to any other related entities or branch offices, as the case may be, which may also have responsibility for the management of the REIT. The following non-exhaustive factors are relevant to MAS' assessment of the role of the Singapore operations in the management of the REIT:

- (a) the composition and mandate of the REIT manager's board of directors and management committees; and
- (b) the extent to which the Chief Executive Officer ["CEO"] and directors who are resident in Singapore participate in the formulation of investment strategies and financing activities of the REIT manager.

#### Criteria in respect of the Chief Executive Officer, Directors and Representatives

2.6 The CEO of a REIT manager should be resident in Singapore, even if the REIT manager manages a REIT that is invested primarily in foreign properties.

2.7 Section 96 of the SFA provides that a REIT manager shall obtain the approval of MAS prior to:

- (a) appointing a person as its CEO or director; and
- (b) changing the nature of appointment of a director from one that is non-executive to one that is executive.

2.8 A REIT manager should notify MAS of the resignation of a director or the CEO within 14 days of the resignation.

2.9 The CEO and directors of a REIT manager should have at least 10 years of relevant experience, including five years at a management level.

2.10 The REIT manager should have a minimum of three full-time representatives (which may include the CEO) who are resident in Singapore and who each have at least five years of experience relevant to REIT management.

2.11 Individuals who are engaged in the following functions on behalf of the REIT manager should be appointed as the REIT manager's representatives:

- (a) investment management;
- (b) asset management;
- (c) financing;
- (d) marketing; and
- (e) investor relations.

2.12 Individuals who are based overseas and engaged in these functions on behalf of the REIT manager should be appointed as representatives of the REIT manager, but they will not count towards satisfying the minimum of three full-time Singapore-resident representatives.

#### Base Capital

2.13 Regulation 3 read with the First Schedule to the SF(FMR)R provides that a REIT manager shall have a base capital of S\$1 million.

#### Financial Resources

2.14 A REIT manager shall satisfy the financial resources requirements set out in the SF(FMR)R.

#### Letter of Responsibility / Letter of Undertaking

2.15 MAS may, pursuant to section 88 of the SFA, impose a condition requiring the REIT manager to procure a Letter of Responsibility<sup>1</sup> or a Letter of Undertaking<sup>2</sup> (in a form satisfactory to MAS) from its Sponsor or parent company.

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<sup>1</sup> The Letter of Responsibility is a commitment from the Sponsor or parent company that it will maintain adequate oversight over the applicant's operations, financial position, compliance with laws, management and other relevant issues.

## Professional Indemnity Insurance

2.16 A REIT manager should procure a professional indemnity insurance, with coverage that complies with the minimum requirements set out in Annex 1.

## **3 CORPORATE GOVERNANCE ARRANGEMENTS**

3.1 A REIT manager should comply with all principles and guidelines set out in the Code of Corporate Governance<sup>3</sup> [“CG Code”]. Any deviation from the CG Code should be clearly explained in the annual report of the REIT.

### Independence of a Director

3.2 Regulation 13D to 13G of the SF(LCB)R sets out the requirements relating to the composition of the board of directors of a REIT manager including criteria for determining when a director is considered independent.

3.3 An independent director of the Sponsor who also sits on the board of directors of the REIT manager will not, given his relationship with the Sponsor, be considered an independent director of the REIT manager.

### Board Committees

#### *Audit Committee*

3.4 Paragraph 5 of the Notice provides that the Audit Committee of a REIT manager shall comprise only non-executive directors, the majority of whom, including the Audit Committee Chairman, shall be independent. The Audit Committee of a REIT manager shall comprise at least three directors.

3.5 Individuals with control or back-office responsibilities<sup>4</sup> in the Sponsor or its related companies may be appointed as members of the Audit Committee. In such cases, the Audit Committee should comprise at least three directors who are independent.

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<sup>2</sup> The Letter of Undertaking sets out the maximum liability of the Sponsor or parent company in support of any liquidity shortfall or other financial obligations.

<sup>3</sup> Issued on 2 May 2012, as from time to time amended, modified or supplemented.

<sup>4</sup> Examples of such responsibilities would be in the areas of finance, audit, risk management, and compliance.

#### *Nominating and Remuneration Committee*

3.6 A REIT manager should consider constituting a Nominating Committee and a Remuneration Committee, in accordance with the guidelines in the CG Code. If a REIT manager does not set up these committees, it should clearly explain its rationale in the annual report of the REIT.

#### Conflict of Interest and Time Commitment

3.7 The board of directors and senior management of the REIT manager should take all necessary steps to avoid conflicts of interest, and if such conflicts arise, resolve the conflicts fairly and equitably.

3.8 To avoid any potential conflict of interest, the CEO and executive directors of the REIT manager should not concurrently hold roles in:

- (a) the Sponsor or its related entities; or
- (b) another entity with competing interests (e.g. property company).

3.9 A REIT manager should ensure that its CEO and executive directors are fully committed to the REIT manager's operations. This includes ensuring that they:

- (a) are employed full-time in the day-to-day operations of the REIT manager; and
- (b) do not take up an executive role in another entity.

## **4 COMPLIANCE ARRANGEMENTS**

4.1 Paragraph 5.4 of the Notice requires a statement from the Audit Committee to be provided in the annual report of the REIT, as to whether, in their reasonable opinion, the compliance arrangements of the REIT manager are adequate and effective, taking into account the nature, scale and complexity of the REIT manager's operations. The Audit Committee should take into account the following non-exhaustive factors:

- (a) in assessing the nature of the REIT manager's operations, the Audit Committee should consider the type of properties that the REIT invests in;

- (b) in assessing the scale of the REIT manager's operations, the Audit Committee should take into account the size of the REIT's property portfolio;
- (c) in assessing the complexity of the REIT manager's operations, the Audit Committee should take into account:
  - i) the frequency and value of related party transactions, including the materiality of any functions that the REIT manager may have outsourced to the Sponsor; and
  - ii) the transparency of laws in the jurisdiction(s) in which the REIT's properties are located.

## A1 Professional Indemnity Insurance [“PII”] for REIT Managers

**Table A1-1 – Minimum PII Coverage**

Net Asset Value of the REIT	Min PII	Remarks
< S\$100m	S\$2m	<ul style="list-style-type: none"> <li>• Copy of PII should be submitted to MAS on an annual basis.</li> <li>• Amount of PII deductible should not exceed 20% of the REIT manager’s base capital.</li> </ul>
S\$100m to less than S\$200m	S\$3m	
S\$200m to less than S\$300m	S\$5m	
S\$300m to less than S\$400m	S\$7m	
S\$400m to less than S\$500m	S\$9m	
S\$500m to less than S\$600m	S\$11m	
S\$600m to less than S\$700m	S\$13m	
S\$700m to less than S\$800m	S\$15m	
S\$800m to less than S\$900m	S\$17m	
S\$900m to less than S\$1b	S\$19m	
S\$1b to less than S\$10b	S\$21m	
S\$10b and above	S\$25m	

- Letter of Undertaking - In lieu of a PII, MAS may consider a Letter of Undertaking with liability equal to or exceeding the minimum PII coverage from the Sponsor or the parent company of the REIT manager. However, the Sponsor or the parent company of the REIT manager should be of satisfactory financial standing.
- Alternative PII - MAS may consider alternative forms of PII if the REIT manager assesses that the interests of investors are not undermined and the following conditions are fulfilled:



**Table A1-2 – Conditions for Acceptance of Alternative PII**

Type	Conditions
Group PII	<ul style="list-style-type: none"> <li>• Minimum coverage should be at least 5 times the required quantum under a standalone non-hybrid PII.</li> <li>• If the deductible of the Group PII is greater than 20% of the REIT manager’s base capital, an undertaking from the Sponsor or the parent company of the REIT manager to cover the excess in the event of a claim would be required.</li> </ul>
Hybrid PII	<ul style="list-style-type: none"> <li>• Sub-limits should be set for the non-PII sections of the hybrid PII.</li> <li>• Total coverage under the hybrid PII less the sub-limits for the non-PII sections should be at least equivalent to the required quantum under a standalone non-hybrid PII.</li> </ul>
Group Hybrid PII	<ul style="list-style-type: none"> <li>• Sub-limits should be set for the non-PII sections of the Group hybrid PII.</li> <li>• Total coverage of the Group hybrid PII less the sub-limits for the non-PII sections should be at least 5 times the required quantum under a standalone non-hybrid PII.</li> <li>• If the deductible of the Group hybrid PII is greater than 20% of the REIT manager’s base capital, an undertaking from the Sponsor or the parent company of the REIT manager to cover the excess in the event of a claim would be required.</li> </ul>