

# CONSULTATION PAPER

P008 - 2011  
September 2011

## Proposed Enhancements and Draft Legislative Amendments to Give Effect to the Regulatory Regime for Fund Management Companies

MAS

Monetary Authority of Singapore

**CONSULTATION PAPER ON PROPOSED ENHANCEMENTS AND  
DRAFT LEGISLATIVE AMENDMENTS TO GIVE EFFECT TO THE  
REGULATORY REGIME FOR FUND MANAGEMENT COMPANIES**

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## **PROPOSED ENHANCEMENTS AND DRAFT LEGISLATIVE AMENDMENTS TO GIVE EFFECT TO THE REGULATORY REGIME FOR FUND MANAGEMENT COMPANIES**

In April 2010, MAS issued a Consultation Paper on the Review of the Regulatory Regime for Fund Management Companies (“FMCs”) and Exempt Financial Intermediaries. The key objectives of the review were to raise the quality and business conduct standards of FMCs, and to achieve long term sustainability in the growth of the fund management industry.

2 Most respondents agreed with MAS’ proposals on the level of regulatory and capital requirements for different categories of FMCs, based on the size and complexity of the FMC’s business. MAS’ policy response to the feedback was issued in September 2010.

3 MAS is now seeking comments on the proposed legislative amendments to give effect to the revised regime for FMCs. In addition, as part of our regular review to align our regulatory framework with international best practices, MAS is proposing further enhancements to the regulatory regime for FMCs. These proposals are outlined in Annex 1 of this paper.

4 The proposed legislative amendments to the Securities and Futures (Licensing and Conduct of Business) Regulations and the Securities and Futures (Financial and Margin Requirements) Regulations are set out in Annex 2 and Annex 3 of this paper, while the consequential amendments to the Financial Advisers Regulations are set out in Annex 4.

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5 MAS invites interested parties to provide their comments and feedback on the proposals in Annex 1, and on the draft legislative amendments in Annex 2, Annex 3 and Annex 4 of this consultation paper. Comments and feedback may be sent to:

Investment Intermediaries Department  
Monetary Authority of Singapore  
10 Shenton Way  
MAS Building  
Singapore 079117  
Email: [fmccp@mas.gov.sg](mailto:fmccp@mas.gov.sg)  
Fax: (65) 6225-4063

MAS requests that all comments and feedback be submitted by **26 October 2011**.

6 Please note that all submissions received may be made public unless confidentiality is specifically requested for the whole or part of the submission.

**PROPOSED ENHANCEMENTS TO  
THE REGULATORY REGIME FOR  
FUND MANAGEMENT COMPANIES**

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## **I Introduction**

As set out in our earlier consultation paper and response document issued in April 2010 and September 2010 respectively, the revised regulatory regime for FMCs will comprise three categories: “Notified FMCs”, “Licensed Accredited/Institutional FMCs” and “Licensed Retail FMCs”<sup>1</sup>. Business conduct rules in the form of independent custody, valuation and reporting, as well as capital requirements will apply to all classes of FMCs.

2 As part of our regular review to align Singapore’s regulatory framework with international best practices, MAS proposes to further enhance the business conduct requirements for FMCs. Specifically, we propose to require all FMCs to put in place a risk management framework for their fund management operations and to subject Notified FMCs to independent annual audits. In addition, we propose to apply new Capital Markets and Financial Advisory Services (“CMFAS”) examination modules to representatives of Licensed Retail FMCs. These proposals are discussed further in the following sections. This consultation paper also outlines some administrative measures for FMCs in relation to the transition to the revised regime.

3 Following this consultation, MAS intends to issue the legislative amendments and implement the new regime in early 2012.

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<sup>1</sup> Licensed Retail FMCs can serve all types of investors, including non-accredited investors.

**II New Business Conduct Requirements***Risk management framework for all FMCs*

4 In line with the increasing expectations of investors, having a robust risk management framework is widely recognized as an industry standard for the fund management industry. In our supervision of FMCs, MAS has communicated our expectation that fund managers should have in place a formalized risk management framework for their fund management operations. The risk management framework should be suited to the size and scale of the FMC's operations, and be able to effectively identify, manage and monitor risks.

5 To formalize our expectations, MAS proposes to require all FMCs to put in place a risk management framework to identify, monitor and manage the risks associated with customer assets being managed by the FMC. FMCs should, in implementing their risk management framework, take into account the key principles set out in the MAS Guidelines on Risk Management Practices and other relevant industry best practices.

*Independent Annual Audits for Notified FMCs*

6 Currently, licensed FMCs are required to appoint an independent auditor to audit their financial statements on an annual basis. They are also required to provide an auditor's report to MAS on their compliance with key licensing and business conduct requirements on an annual basis. These requirements provide assurance to MAS that licensed FMCs comply with the applicable laws and have adequate internal control systems governing their operations.

7 Given the importance of such audit checks, MAS proposes to introduce a similar requirement for Notified FMCs to appoint an independent auditor to audit their financial statements and provide to MAS an audit report on the FMC's compliance with the

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criteria and requirements applicable to their regulatory status. The auditor will be required to report on the FMC's compliance with the following:

- (i) Restrictions in clientele and assets under management ("AUM");
- (ii) Minimum base capital requirement;
- (iii) Key business conduct rules such as independent custody, valuation of clients' assets and client reporting; and
- (iv) Implementation of a risk management framework (as set out in paragraph 5).

**Examination Requirements for Representatives of Licensed Retail FMCs**

8 Given the increasing complexity of financial products and greater investor sophistication, it is important that finance professionals keep abreast of developments in the financial markets and have good working knowledge of the newer and more complex investment products available in the market. In line with this, the Institute of Banking and Finance and the Singapore College of Insurance have developed new CMFAS examination modules in respect of Specified Investment Products<sup>2</sup> ("SIPs").

9 MAS has reviewed the examination requirements for representatives in FMCs. Following from this review, MAS proposes to apply a new CMFAS examination module on securities and futures to representatives who handle or transact in SIPs as part of their fund management activities. This new CMFAS examination module is applicable to both new and existing representatives of Licensed Retail FMCs. Exemption from the new CMFAS examination module will be provided for representatives with relevant finance-related academic qualifications. We will provide sufficient time for existing representatives to pass the new CMFAS examination module.

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<sup>2</sup> For definition of SIPs, please refer to the Notice on the Sale of Investment Products [SFA 04-N12].



**III Renaming of Notified FMCs to Registered FMCs**

10 In line with the proposed changes to the regulatory requirements for FMCs, MAS intends to rename “Notified FMCs” as “**Registered FMCs**”. There will not be any changes to the AUM threshold of S\$250 million nor to the clientele restriction of serving not more than 30 qualified investors (of which not more than 15 are funds) for this category of FMCs. MAS is of the view that the term “Registered FMC” is a better reflection of the regulatory status of these FMCs, given that they are subject to eligibility criteria, business conduct rules and capital requirements.

11 Under the revised regulatory regime, Registered FMCs will be allowed to commence fund management operations after notifying MAS of their commencement of business. MAS will maintain an online directory of Registered FMCs on the MAS website. Prior to its listing on the MAS directory, a Registered FMC will not be allowed to represent itself as being registered with MAS. MAS also wishes to clarify that a Registered FMC will not be allowed to enter into any investment management agreement, nor accept client monies prior to the publication of its name on the MAS website. This is a prudent measure to allow investors to verify the regulatory status of the FMC, prior to entering into a contractual relationship with the FMC.

**IV Administrative Measures for FMCs****Online Submission System for FMCs**

12 MAS is committed to streamlining the registration and licensing processes, particularly during the transitional period for the migration of FMCs currently operating

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as exempt fund managers<sup>3</sup> ["EFMs"] to the revised regime. To this end, MAS will implement a new online submission system for all FMCs. In particular, this online system will enable existing EFMs and new entrants to submit an online application for a Capital Markets Services licence in fund management, or to file as a Registered FMC. This online system will also allow FMCs to make other ongoing regulatory submissions, such as notifying MAS of changes in particulars and making annual declarations in the case of Registered FMCs; and submitting applications for appointment of directors in the case of licensed FMCs. MAS will provide further guidance on the usage of the online system prior to the launch of the new regulatory regime for FMCs.

*Annual Administrative Fees*

13 In tandem with the rising costs of regulating the fund management industry, MAS proposes to charge Registered FMCs an annual administrative fee of S\$1,000. This fee will enable MAS to recover the costs of maintaining the online registration and reporting system for FMCs, as well as the costs incurred by MAS in processing notifications from Registered FMCs. MAS intends to commence charging this annual administrative fee with effect from 1 January 2013. All Registered FMCs will need to set up a GIRO account with MAS to enable electronic fee deduction.

14 There will be no changes to the application fees and licence fees for licensed FMCs and their representatives.

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<sup>3</sup> Pursuant to Paragraph 5(1)(d) of the Second Schedule to the Securities and Futures (Licensing and Conduct of Business) Regulations.

**SECURITIES AND FUTURES  
(LICENSING AND CONDUCT OF BUSINESS)  
(AMENDMENT NO. 2) REGULATIONS 2011**

**DISCLAIMER: This version of the Regulations is in draft form and subject to change. It is also subject to review by the Attorney-General's Chambers.**

**No. S 000**

**SECURITIES AND FUTURES ACT  
(CHAPTER 289)**

**SECURITIES AND FUTURES  
(LICENSING AND CONDUCT OF BUSINESS)  
(AMENDMENT NO. 2) REGULATIONS 2011**

In exercise of the powers conferred by sections 84, 96, 97, 99, 99A, 100, 104, 123 and 341 of the Securities and Futures Act, the Monetary Authority of Singapore hereby makes the following Regulations:

**Citation and commencement**

**1.** These Regulations may be cited as the Securities and Futures (Licensing and Conduct of Business) (Amendment No. 2) Regulations 2011 and shall come into operation on 2011.

**Amendment of regulation 2**

**2.** Regulation 2 of the Securities and Futures (Licensing and Conduct of Business) Regulations (Rg 10) (referred to in these Regulations as the principal Regulations) is amended by inserting, immediately after the definition of “quarter”, the following definition:

““Registered Fund Management Company” means a corporation which is exempted from holding a capital markets services licence under paragraph 5(1)(i) of the Second Schedule;”.

**Amendment of regulation 6**

**3.** Regulation 6 of the principal Regulations is amended by inserting, immediately after paragraph (4), the following paragraph:

“(4A) For the purposes of section 99A(4) of the Act, where the annual fee referred to in paragraph 5(7) of the Second Schedule or item 9 of the Third Schedule is not paid, a late payment fee of \$50 for every day or part thereof that the payment is late, subject to a maximum of \$3,000, shall also be payable.”.

**Amendment of regulation 6A**

**4.** Regulation 6A of the principal Regulations is amended —

(a) by inserting, immediately after the words “capital markets services licence”, the words “for any regulated activity other than fund management”; and

- (b) by renumbering the regulation as paragraph (1) of that regulation, and by inserting immediately thereafter the following paragraph:

“(2) An application for the grant of a capital markets services licence for the regulated activity of fund management shall be in Form 1A and shall be lodged with the Authority together with any relevant annex and information as may be specified in the Form or by the Authority from time to time.”.

### **Amendment of regulation 13**

5. Regulation 13 of the principal Regulations is amended —

- (a) by deleting the word “and” at the end of paragraph (d); and  
(b) by deleting the full-stop at the end of paragraph (e) and substituting the word “; and”, and by inserting immediately thereafter the following paragraph:

“(f) ensured effective controls and segregation of duties to mitigate potential conflicts of interest that may arise from the operations of the holder.”.

### **New regulations 13A and 13B**

6. The principal Regulations are amended by inserting, immediately after regulation 13, the following regulations:

#### **“Removal of chief executive officer and director of Registered Fund Management Company**

**13A.**—(1) As a condition under section 99(4) of the Act, a Registered Fund Management Company must ensure that its chief executive officer and its directors —

- (a) implement, and ensure compliance with, effective written policies on all operational areas of the Registered Fund Management Company, including the Registered Fund Management Company’s financial policies, accounting and internal controls, internal auditing, and ensure compliance with all laws and rules governing the operations of the Registered Fund Management Company;
- (b) put in place compliance function and arrangements that are commensurate with the nature, scale and complexity of the business of the Registered Fund Management Company, including specifying the roles and responsibilities of officers and employees of the Registered Fund Management Company in helping to ensure its compliance with all applicable laws, codes of conduct and standards of good practice in order to protect investors and reduce its risk of incurring legal or regulatory

sanctions that may be imposed by the Authority or any other public authority, financial loss, or reputational damage;

- (c) identify, address and monitor the risks associated with the trading or business activities of the Registered Fund Management Company;
- (d) ensure that the business activities of the Registered Fund Management Company are subject to adequate internal audit;
- (e) set out in writing the limits of the discretionary powers of each officer, committee, sub-committee or other group of persons of the Registered Fund Management Company empowered to commit the Registered Fund Management Company to any financial undertaking or to expose the Registered Fund Management Company to a financial risk;
- (f) ensure —
  - (i) that the Registered Fund Management Company keeps a written record of all steps taken by it to monitor compliance with its policies, the limits on discretionary powers and its accounting and operating procedures;
  - (ii) that the internal audit of the Registered Fund Management Company or the Registered Fund Management Company's holding company includes inquiring into the Registered Fund Management Company's compliance with all relevant laws and all relevant business rules of any securities exchange, futures exchange and clearing house; and
  - (iii) the accuracy, correctness and completeness of any report, book or statement submitted by the Registered Fund Management Company to its head office (if any) or to the Authority; and
- (g) ensure effective controls and segregation of duties to mitigate potential conflicts of interest that may arise from the operations of the Registered Fund Management Company.

(2) As a condition under section 99(4) of the Act, the Registered Fund Management Company must remove its chief executive officer or any of its directors who, in the Authority's opinion, has failed to comply with any of his obligations under paragraph (1)(a) to (g).

### **Duties of holder for regulated activity of fund management**

**13B.** The holder of a capital markets services licence for fund management shall, in managing any customer's assets, ensure that —

- (a) there is a risk management framework that identifies, addresses and monitors the risks associated with the customer's assets which is appropriate to the nature, scale and complexity of the assets;
- (b) the customer's assets are subject to independent valuation for the purpose of determining their net asset value and such value is conveyed to the customer;
- (c) priority is accorded to transactions for the purchase or sale of securities or futures contracts, or to investments made, on behalf of the customer, over those made for any of the following persons:
  - (i) the holder;
  - (ii) the holder's associated, connected or related persons;
  - (iii) the holder's officers,
  - (iv) the holder's employees;
  - (v) the holder's representatives; or
  - (vi) the associated, connected or related persons of the persons referred to in sub-paragraph (iii), (iv) or (v); and
- (d) conflicts of interest arising from the management of the customer's assets is mitigated and where appropriate, disclosure of such conflicts of interest is made to the customer."

#### **Amendment of regulation 14A**

7. Regulation 14A(2) of the principal Regulations is amended by deleting the words "a person who is exempted from holding a capital markets services licence under paragraph 4(1)(c), 5(1)(d) or 7(1)(b) of the Second Schedule" in sub-paragraph (b) and substituting the words "a Registered Fund Management Company or a person who is exempted from holding a capital markets services licence under paragraph 7(1)(b) of the Second Schedule".

#### **New regulation 54A**

8. The principal Regulations are amended by inserting, immediately after regulation 54, the following regulation:

##### **"Registered Fund Management Companies**

**54A.** Sections 102(1) to (4), 104(1), 104A, 106, 107(1), (2) and (5) and 112(1) of the Act and Divisions 1, 2 and 3 of Part III (other than regulations 19, 30 and 31) of these Regulations and regulations 13B, 39, 40, 43, 46 and 46A shall, with the necessary modifications, apply to each Registered Fund Management Company in

respect of its business in fund management as those provisions apply to the holder of a capital markets services licence and, where applicable, shall, with the necessary modifications, apply to a representative of a Registered Fund Management Company when acting as such, as those provisions apply to the representative of the holder of a capital markets services licence.”.

### **Amendment of regulation 55**

9. Regulation 55 of the principal Regulations is amended —

- (a) by deleting the words “26(1) or (2)” and substituting the words “26(1), (2) or (6)”;
- (b) by deleting “5(7)” and substituting the words “5(7), (7B) or (7C)”;
- (c) by inserting, immediately after the words “regulation 51”, the words “or paragraph 5(7D) of the Second Schedule”.

### **Deletion and substitution of regulation 56**

10. Regulation 56 of the principal Regulations is deleted and the following regulation substituted therefor:

#### **“Persons exempt from holding a capital markets services licence under paragraph 5(1)(d) of Second Schedule in force before [effective date]**

56. Any person who, immediately before [effective date], was exempted from the requirement to hold a capital markets services licence to carry on business in fund management under paragraph 5(1)(d) of the Second Schedule to the principal Regulations in force immediately before [effective date], shall continue to be exempted from the requirement to hold a capital markets service licence to carry on business in fund management —

- (a) until the expiry of the period of 6 months after [effective date];
- (b) if, before the expiry of the 6 months, he applies for a capital markets services licence for fund management, until the date on which the licence is granted to him, or on which his application is refused or withdrawn; or
- (c) if, before the expiry of the 6 months, he notifies the Authority that he meets the requirements to commence business in fund management under paragraph 5(1)(i) of the Second Schedule, until the date of the notice,

whichever is the latest.”.

### **Deletion of regulations 57 to 60**

12. The principal Regulations are amended by deleting regulations 57 to 60.



## Amendment of Second Schedule

13. The Second Schedule to the principal Regulations is amended —

(a) by inserting, immediately after the definition of “agent” in paragraph 1, the following definition:

““base capital”, in relation to a corporation which seeks to be exempted under paragraph 5(1)(i), means the sum of —

(a) the following items in the latest accounts of the corporation:

(i) paid-up ordinary share capital; and

(ii) irredeemable and non-cumulative preference share capital; and

(b) any unappropriated profit or loss in the latest audited accounts of the corporation,

less any interim loss in the latest accounts of the corporation and any dividend that has been declared since the date of the latest audited accounts of the corporation;”;

(b) by inserting, immediately after the definition of “market-maker” in paragraph 1, the following definition:

““net head office funds”, in relation to a foreign company, means the net liability of the Singapore branch of that foreign company to its head office and any other branches outside of Singapore;”;

(c) by deleting the semi-colon at the end of paragraph 4(1)(b) and substituting a full-stop;

(d) by deleting sub-paragraph (c) of paragraph 4(1);

(e) by deleting the words “sub-paragraph (1)(a), (b) or (c)” in paragraph 4(2) and substituting the words “sub-paragraph (1)(a) or (b)”;

(f) by deleting the words “or (c)” in paragraph 4(3) and (4);

(g) by deleting sub-paragraphs (4A) to (8) of paragraph 4;

(h) by deleting sub-paragraph (d) of paragraph 5(1);

(i) by deleting the full-stop at the end of sub-paragraph (g) of paragraph 5(1) and substituting a semi-colon, and by inserting immediately thereafter the following sub-paragraphs:

“(h) a person who carries on business in Singapore in fund management on behalf of qualified investors where the portfolio of securities under management, comprises securities issued by a corporation or body unincorporated and the sole purpose of such corporation or body unincorporate is to hold and invest in immovable assets;

(i) a corporation which —

- (i) carries on business in Singapore in fund management on behalf of not more than 30 qualified investors, of which not more than 15 are collective investment schemes, closed-end funds, or limited partnerships referred to in paragraph 5(3)(cb);
  - (ii) is registered with the Authority in accordance with paragraph 5(7); and
  - (iii) manages assets, the aggregate of which does not exceed S\$250 million;
- (j) by deleting sub-paragraph (a) of paragraph 5(2) and substituting the following sub-paragraph:
- “(a) a person otherwise exempted under sub-paragraph (1) shall not be or shall cease to be so exempted if he also carries on business in fund management other than in accordance with sub-paragraph (1)(a), (b), (c), (e), (f), (h) or (i), as the case may be;”;
- (k) by deleting the words “sub-paragraph (1)(d)” wherever they appear in paragraph 5(2)(b), (bb) and (c) and substituting in each case the words “sub-paragraph (1)(i)”;
- (l) by deleting the words “sub-paragraph (7)(a)” in paragraph 5(2)(bb)(ii) and substituting the words “sub-paragraph (7)”;
- (m) by deleting the word “or” at the end of paragraph 5(2)(bb)(ii);
- (n) by deleting the full-stop at the end of sub-paragraph (iii) of paragraph 5(2)(bb) and substituting the words “; or”, and by inserting immediately thereafter the following sub-paragraph:
- “(iv) he fails to comply with sub-paragraph (7E)(c).”;
- (o) by deleting the words “sub-paragraph (1)(d)” in paragraph 5(3)(a)(iii)(A) and substituting the words “sub-paragraph (1)(i)”;
- (p) by inserting, immediately after the words “accredited investors” in paragraph 5(3)(b)(i), the words “or institutional investors or both”;
- (q) by deleting the words “accredited investors, or investors in an equivalent class” in paragraph 5(3)(b)(ii) and substituting the words “accredited investors or institutional investors or both, or investors in an equivalent class or classes”;
- (r) by inserting, immediately after sub-paragraph (c) of paragraph 5(3), the following sub-paragraphs:
- “(ca) an institutional investor;
  - “(cb) a limited partnership, where:
    - (i) its limited partners are accredited investors or institutional investors or both;
    - (ii) it only has one general partner; and

- (iii) the general partner is accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the fund management company that is contracted to manage the limited partnership;”;
- (s) by inserting, immediately after sub-paragraph (3) of paragraph 5, the following sub-paragraph:
- “(3A) For the purposes of paragraph 5(3), “institutional investor” has the same meaning as in section 4A(1)(c) of the Act, but does not include a collective investment scheme.”;
- (t) by deleting the words “sub-paragraph (1)(a),(b),(c) or (d)” in paragraph 5(5) and substituting the words “sub-paragraph (1)(a), (b), (c), (h) or (i)”;
  - (u) by deleting the words “sub-paragraph (1)(d)” in paragraph 5(6) and substituting the words “sub-paragraph (1)(i)”;
  - (v) by deleting sub-paragraph (7) of paragraph 5 and substituting the following sub-paragraphs:
    - “(7) A corporation who seeks to be exempted under sub-paragraph (1)(i) shall register with the Authority by lodging with the Authority a notice of commencement of business in Form 22A prior to the commencement of his business in fund management, accompanied by a non-refundable annual fee which shall be paid in the manner specified by the Authority in writing.
    - (7A) The Authority may refuse to register a corporation under sub-paragraph (7) unless —
      - (a) where the corporation is incorporated in Singapore, its base capital; or
      - (b) where the corporation is a foreign company, its net head office funds,
 is not less than —
      - (i) S\$250,000; or
      - (ii) such other amount as the Authority may consider to be appropriate having regard to the operations of the corporation.
    - (7B) A Registered Fund Management Company shall not cause or permit —
      - (a) where it is incorporated in Singapore, its base capital; or
      - (b) where it is a foreign company, its net head office funds,
 to fall below the base capital requirement applicable to the Registered Fund Management Company under sub-paragraph (7A)(i) or (ii), as the case may be.
    - (7C) If the Registered Fund Management Company fails to comply with sub-paragraph (7B) or becomes aware that it will fail to comply with sub-paragraph (7B), the Registered Fund Management Company shall immediately notify the Authority.
    - (7D) If the Authority becomes aware that the Registered Fund Management Company has failed to comply with sub-paragraph (7B), the Authority may direct the Registered Fund Management Company to immediately do one or more of the following:

- (a) cease any increase in positions, securities financing, funds accepted for management and assets accepted for custody for any account carried by the Registered Fund Management Company; or
- (b) operate its business in such manner and on such conditions as the Authority may impose.

(7E) A Registered Fund Management Company shall lodge with the Authority—

- (a) a notice of change of particulars in Form 23A providing any change in the particulars in the notice lodged under sub-paragraph (7), not later than 14 days after the date of the change;
- (b) a notice of cessation of business in Form 24A prior to the cessation of his business in fund management; and
- (c) an annual declaration in Form 25A within 5 months after the end of each calendar year, accompanied by —
  - (i) an auditor’s report in Form 25B; and
  - (ii) a copy of the audited profit and loss accounts and balance sheet made up to the last day of the latest completed financial year in accordance with the provisions of the Companies Act (Cap. 50),

save that where a notice referred to in sub-paragraph (7) is lodged with the Authority after 30th September of the preceding calendar year, the Registered Fund Management Company is not required to lodge the declaration for the current calendar year.”;

- (w) by deleting the words “sub-paragraph (1)(a), (d) or (e)” in paragraph 5(8) and substituting the words “sub-paragraph (1)(a), (e), (h) or (i)”;
- (x) by deleting sub-paragraph (9) of paragraph 5.

### Amendment of Third Schedule

14. The Third Schedule to the principal Regulations is amended by inserting, immediately after item 8, the following item:

<i>No.</i>	<i>Provision of Act</i>	<i>Matter</i>	<i>Amount</i>	<i>Manner and Time of Payment</i>
“9.	Section 99A(1)	Annual fee payable by a Registered Fund Management Company for the year of commencement of business	$\frac{B}{365} \times \$1,000$ where “B” is the number of days between the date of commencement of business and 31st December of the same year, both dates inclusive	Payment shall be made upon lodgment of the notice of commencement of business in Form 22A pursuant to paragraph 5(7) of the Second Schedule in the manner specified by the Authority in writing.

Annual fee payable by a Registered Fund Management Company for any other year

\$1,000

Payment shall be made within 14 days of the end of each calendar year in the manner specified by the Authority in writing.”.

**SECURITIES AND FUTURES  
(FINANCIAL AND MARGIN REQUIREMENTS  
FOR HOLDERS OF CAPITAL MARKETS  
SERVICES LICENCES) (AMENDMENT)  
REGULATIONS 2011**

**DISCLAIMER: This version of the Regulations is in draft form and subject to change. It is also subject to review by the Attorney-General's Chambers.**

SECURITIES AND FUTURES ACT  
(CHAPTER 289)

SECURITIES AND FUTURES  
(FINANCIAL AND MARGIN REQUIREMENTS  
FOR HOLDERS OF CAPITAL MARKETS  
SERVICES LICENCES) (AMENDMENT)  
REGULATIONS 2011

In exercise of the powers conferred by sections 86, 100 and 341 of the Securities and Futures Act, the Monetary Authority of Singapore hereby makes the following Regulations:

**Citation and commencement**

**10.** These Regulations may be cited as the Securities and Futures (Financial and Margin Requirements for Holders of Capital Markets Services Licences) (Amendment) Regulations 2011 and shall come into operation on 2011.

**Amendment of First Schedule**

**11.** The First Schedule to the Securities and Futures (Financial and Margin Requirements for Holders of Capital Markets Services Licences) Regulations (Rg 13) is amended by inserting, immediately after the words “accredited investor” wherever they appear in item (5) in the table, the words “or institutional investor”.

**Amendment of Sixth Schedule**

**12.** Paragraph 2 of the Sixth Schedule to the Securities and Futures (Financial and Margin Requirements for Holders of Capital Markets Services Licences) Regulations is amended —

- (a) by deleting the word “sub-paragraph (2)” in sub-paragraph (1)(a)(i) and substituting the word “sub-paragraph (6)”;
- (b) by deleting the word “or” at the end of sub-paragraph (1)(a)(ii);
- (c) by deleting sub-paragraph (b) of sub-paragraph (1) and substituting the following sub-paragraphs:
  - “(b) in relation to the holder of a licence to carry out fund management, who is not licensed to carry out any other regulated activity, means the operational risk requirement calculated in accordance with sub-paragraph (2); or
  - (c) in relation to any other holder, means the operational risk requirement calculated in accordance with sub-paragraph (6).”; and

(d) by deleting sub-paragraphs (2) and (3) and substituting the following sub-paragraphs:

“(2) For the purposes of sub-paragraph (1)(b), the holder shall calculate the operational risk requirement as the highest of —

- (a) 10% of the average annual adjusted gross income of the holder for the last 3 preceding financial years of the holder;
- (b) 5% of the average annual gross income of the holder for the last 3 preceding financial years of the holder; and
- (c) \$100,000.

(3) For the purposes of sub-paragraph (2)(a), “annual adjusted gross income” for a financial year of the holder means the annual gross income for the financial year less the sum of non-guaranteed staff bonuses, commission and interest expenses reported as expenses in the annual statements lodged by the holder in Form 6 for the same financial year, and is deemed to be zero if it is a negative amount.

(4) For the purposes of sub-paragraph (2)(b), the annual gross income shall be deemed to be zero if it is a negative amount.

(5) For the purposes of sub-paragraph (2), gross income of a financial year of the holder is the total revenue of the holder as stated in the latest statement lodged by the holder in Form 6 for the financial year, adjusted by deducting the following:

- (a) any realised or unrealised profits or losses arising from the sale or revaluation of financial assets in that financial year that are classified as “held to maturity” or “available for sale”;
- (b) any income or expense item not derived from the ordinary activities of the holder in that financial year and not expected to recur frequently or regularly; and
- (c) any income derived from any insurance recoveries in that financial year.

(6) For the purposes of sub-paragraph (1)(a)(i) and (c), the holder shall calculate the operational risk requirement as 10% of the total revenue of the holder as stated in the latest statement lodged by the holder in Form 6, adjusted by deducting the following:

- (a) profit on the sale or termination of a business operation;
- (b) profit on disposal of a fixed asset; and
- (c) such other item as the Authority may specify in a guideline issued by the Authority.

(7) Where any statement referred to in sub-paragraph (3), (5) or (6) is not available, the reference to the statement in that sub-paragraph shall be taken as [ ].”



**FINANCIAL ADVISERS  
(AMENDMENT NO. 2) REGULATIONS 2011**

**DISCLAIMER: This version of the Regulations is in draft form and subject to change. It is also subject to review by the Attorney-General's Chambers**

FINANCIAL ADVISERS ACT  
(CHAPTER 110)  
FINANCIAL ADVISERS  
(AMENDMENT NO. 2) REGULATIONS 2011

In exercise of the powers conferred by sections 23, 100 and 104 of the Financial Advisers Act, the Monetary Authority of Singapore hereby makes the following Regulations:

**Citation and commencement**

**13.** These Regulations may be cited as the Financial Advisers (Amendment No. 2) Regulations 2011 and shall come into operation on 2011.

**Amendment of regulation 27**

**14.** Regulation 27 of the Financial Advisers Regulations (Rg 2) is amended —

- (a) by inserting, at the end of paragraph (1)(d), the word “or”;
- (b) by deleting the word “; or” at the end of paragraph (1)(e) and substituting a full-stop;
- (c) by deleting sub-paragraph (f) of paragraph (1);
- (d) by deleting paragraph (3) and substituting the following paragraph:

“(3) A person referred to in paragraph (1)(d) who is exempt from the requirement to hold a capital markets services licence to carry on business in fund management under paragraph 5(1)(i) of the Second Schedule to the Securities and Futures (Licensing and Conduct of Business) Regulations (Cap. 289, Rg 10) shall not be, or shall cease to be, exempt from holding a financial adviser’s licence under section 23(1)(f) of the Act if —

- (a) the aggregate of the number of qualified investors on behalf of whom he carries on business in fund management and the number of accredited investors to whom he provides financial advisory services exceeds 30 in total;
- (b) more than 15 of the qualified investors on behalf of whom he carries on business in fund management are collective investment schemes, closed-end funds, or limited partnerships referred to in paragraph 5(3)(cb) of the Second Schedule to the Securities and Futures (Licensing and Conduct of Business) Regulations; or

- (c) the total assets managed by the person exceeds the threshold specified by the Authority in a written notice sent to him within [ ] days after it is registered with the Authority under paragraph 5(7) of the Second Schedule to the Securities and Futures (Licensing and Conduct of Business) Regulations.”;
- (e) by deleting the words “paragraph (1)(a), (b), (c), (d), (e) or (f)” in paragraph (5) and substituting the words “paragraph (1)(a), (b), (c), (d) or (e)”;
- (f) by deleting the words “paragraph (1)(c), (d), (e) or (f)” in paragraph (6) and substituting the words “paragraph (1)(c), (d) or (e)”;
- (g) by deleting the words “paragraph (1)(a), (b), (c), (d), (e) or (f)” in paragraph (7) and substituting the words “paragraph (1)(a), (b), (c), (d) or (e)”.

### **Deletion and substitution of regulation 32A**

15. Regulation 32A of the Financial Advisers Regulations is deleted and the following regulation substituted therefor:

#### **“Exemption for Registered Fund Management Company**

**32A.**—(1) A Registered Fund Management Company shall be exempt under section 23(1)(f) of the Act from holding a financial adviser’s licence in respect of the marketing of any collective investment scheme that is managed by it in the course of carrying on a business in fund management for accredited investors or institutional investors for which it is exempted from the requirement to hold a CMS licence under paragraph 5(1)(i) of the Second Schedule to the Securities and Futures (Licensing and Conduct of Business) Regulations.

(2) The exemption under paragraph (1) shall have effect from the date on which the Registered Fund Management Company commences its business in fund management, as stated in its notice of commencement of business which is lodged with the Authority in accordance with paragraph 5(7) of the Second Schedule to the Securities and Futures (Licensing and Conduct of Business) Regulations.

(3) In this regulation, “Registered Fund Management Company” means a corporation exempted from holding a capital markets services licence under paragraph 5(1)(i) of the Second Schedule to the Securities and Futures (Licensing and Conduct of Business) Regulations.”.



Monetary Authority of Singapore