

Appendix

1) General Information

	Notified Fund Management Companies ["Notified FMCs"]	Licensed Accredited/ Institutional Fund Management Companies ["Licensed A/I FMCs"]	Licensed Retail Fund Management Companies ["Licensed Retail FMCs"]
<b>Type of approval</b>	<ul style="list-style-type: none"> <li>Submission of notification to the Authority.</li> <li>No formal approval from the Authority will be given.</li> </ul>	<ul style="list-style-type: none"> <li>Licence application process.</li> <li>The Authority's approval is required prior to commencing business activity.</li> </ul>	<ul style="list-style-type: none"> <li>Licence application process.</li> <li>The Authority's approval is required prior to commencing business activity.</li> </ul>
<b>Restrictions</b>	<ul style="list-style-type: none"> <li>Restricted to serving not more than 30 qualified investors<sup>1</sup>, of which not more than 15 can be funds.</li> <li>Notification is only applicable to fund management companies ["FMCs"] with AUM of less than S\$250m.</li> </ul>	<ul style="list-style-type: none"> <li>Restricted to serving accredited and institutional investors only (with no restriction on the number of investors served)</li> </ul>	<ul style="list-style-type: none"> <li>No restrictions on AUM or clientele.</li> </ul>

<sup>1</sup> A "qualified investor", as stated in paragraph (5)(3) of the Second Schedule to the Securities and Futures (Licensing and Conduct of Business) Regulations refers to:

(a) an accredited investor, other than:

(i) one who is a participant in a collective investment scheme referred to in sub-paragraph (b);

(ii) one who is a holder of a unit in a closed-end fund referred to in sub-paragraph (c);

(iii) one which is a corporation referred to in section 4A(1)(a)(ii) of the Securities and Futures Act or an entity referred to in regulation 2(b) of the Securities and Futures (Prescribed Specific Classes of Investors) Regulations 2005 (G.N. No. S 369/2005) —

(A) which is related to or controlled by a person referred to in sub-paragraph (1)(d), or a key officer or substantial shareholder of such person; and

(B) the shares or debentures of which are, after 28th May 2008, the subject of an offer or invitation for subscription or purchase made to any person who is not an accredited investor; or

(iv) a corporation or an entity which is a collective investment scheme or a closed-end fund the units of which are, after 28th May 2008, the subject of an offer or invitation made to any person who is not an accredited investor;

(b) a collective investment scheme the units of which are the subject of an offer or invitation for subscription or purchase made —

(i) in Singapore only to accredited investors; or

(ii) elsewhere if, after 28th May 2008, such offer or invitation is made only to accredited investors, or investors in an equivalent class under the laws of the country or territory in which the offer or invitation is made;

(c) a closed-end fund the units of which are the subject of an offer or invitation for subscription or purchase made only to accredited investors, or investors in an equivalent class under the laws of the country or territory in which the offer or invitation is made;

(d) any other person that MAS may, from time to time, by a guideline issued by MAS, determine.

## 2) Admission Criteria

The requirements below highlights the issues addressed in the proposal. This table is not meant to serve as an exhaustive list of admission criteria that apply to Notified FMCs, Licensed A/I FMCs, or Licensed Retail FMCs. For instance, while not provided for in this table, the Authority also expects all FMCs to meet all fit and proper requirements as specified in the Guidelines on Fit and Proper (FSG-G01). Applicants may wish to refer to the Guidelines on Criteria of a Grant of a Capital Markets Service Licence and Representative's Licence (SFA 04-G01) available on the Authority's website for more information.

Criteria	Rationale	Notified Fund Management Companies ["Notified FMCs"]	Licensed Accredited/ Institutional Fund Management Companies ["Licensed A/I FMCs"]	Licensed Retail Fund Management Companies ["Licensed Retail FMCs"]
<b>Number of Directors</b>	To ensure that companies and individuals operating in the fund management industry have a minimum level of expertise, and are 'fit and proper'.	<ul style="list-style-type: none"> <li>A minimum of two (2) directors, one of whom must be an executive director residing in Singapore.</li> <li>Nominee directors (such as external legal advisors or corporate secretaries) will not count towards satisfying the minimum of two directors.</li> <li>To fulfill the fit and proper criteria, directors should be able to demonstrate their competency by having experience in the financial services industry, including managerial experience or experience in a supervisory capacity.</li> </ul>		
<b>Number of Representatives</b>		<ul style="list-style-type: none"> <li>A minimum of two (2) full-time representatives who are residing in Singapore.</li> <li>The representative can be a director of the FMC.</li> </ul>		<ul style="list-style-type: none"> <li>A minimum of three (3) full-time representatives who are residing in Singapore.</li> <li>The representative can be a director of the FMC.</li> </ul>
<b>Corporate Track Record</b>		<ul style="list-style-type: none"> <li>Nil</li> </ul>	<ul style="list-style-type: none"> <li>Nil</li> </ul>	<ul style="list-style-type: none"> <li>The shareholder of, or the financial group to which the prospective Licensed Retail FMC belongs, will be required to have corporate track record of operating a regulated entity conducting fund management in an equivalent jurisdiction for at least five (5) years, and a global AUM of at least S\$1 billion.</li> </ul>
<b>Individual Track Record</b>		<ul style="list-style-type: none"> <li>A minimum of two (2) full-time individuals (who can be directors and/or representatives of the FMC) who are residing in Singapore, each of whom has a minimum of five (5) years of relevant experience.</li> </ul>		<ul style="list-style-type: none"> <li>A minimum of two (2) full-time individuals (who can be directors and/or representatives of the FMC) who are residing in Singapore, each of whom has a minimum of five (5) years of relevant experience.</li> <li>The CEO of the Licensed Retail FMC is required to have a minimum of ten (10) years of experience in the financial services industry.</li> </ul>
		<p><i>Notes:</i></p> <ul style="list-style-type: none"> <li>The relevance of the individual's experience will be assessed in relation to the function that the individual will be performing on behalf of the FMC. For example, this could include experience in activities that form an essential part of the fund management value chain, such as business development and marketing, portfolio construction and allocation, investment research and advisory activities, trade execution, portfolio reconciliation and risk management.</li> </ul>		

Criteria	Rationale	Notified Fund Management Companies ["Notified FMCs"]	Licensed Accredited/ Institutional Fund Management Companies ["Licensed A/I FMCs"]	Licensed Retail Fund Management Companies ["Licensed Retail FMCs"]
		<ul style="list-style-type: none"> <li>The consideration for relevant working experience may also include sector experience, particularly for Private Equity and Venture Capital ["PE/VC"] FMCs. Those who can be considered to have sector experience would be persons who were involved in business development, market research, corporate strategy and management of businesses in sectors which the PE/VC FMC focuses on.</li> <li>These examples serve only to provide general guidance, and are non-exhaustive in nature. Companies are expected to make their own assessments on the relevance of an individual's experience, and to ensure that the individual meets the Authority's fit and proper requirements.</li> </ul>		
CMFAS Exams (for representatives)		<ul style="list-style-type: none"> <li>Nil</li> </ul>	<ul style="list-style-type: none"> <li>Nil</li> </ul>	<ul style="list-style-type: none"> <li>Required</li> </ul>
Demonstration of Commitment	To address 'flight risk'.	<ul style="list-style-type: none"> <li>A demonstration of commitment may be made in various ways, such as the CEO and executive directors of the FMC having a majority shareholding, or the fund managers placing seed money into their fund.</li> <li>Alternative ways of demonstrating commitment are subject to consultation with the Authority, as part of the licence application process.</li> </ul>		<ul style="list-style-type: none"> <li>At the minimum, a Letter of Responsibility from the parent company is required.</li> </ul>
Professional Indemnity Insurance ["PII"]	To provide FMCs with insurance cover against legal risk.	<ul style="list-style-type: none"> <li>Strongly encouraged, but not mandatory.</li> </ul>		<ul style="list-style-type: none"> <li>Licensed Retail FMCs are required to procure PII, as set out in the 'Guidelines on Criteria for the Grant of a Capital Markets Services Licence and Representative's Licence' (Guideline No SFA04-G01).</li> </ul>
Base Capital	To ensure FMCs have sufficient capital to fund their operations.	<ul style="list-style-type: none"> <li>S\$250,000</li> </ul>		<ul style="list-style-type: none"> <li>S\$1,000,000 if carrying out fund management of any collective investment scheme offered to any investor other than an accredited investor.</li> <li>S\$500,000 if carrying out fund management on behalf of any customer other than an accredited investor, whether on a discretionary authority granted by the customer or otherwise.</li> </ul>
		<p><i>Notes:</i></p> <ul style="list-style-type: none"> <li><i>Paid-up ordinary share capital, irredeemable and non-cumulative preference share capital and retained earnings, less any unaudited interim losses during the year, may be used to meet base capital requirements.</i></li> <li><i>There are no restrictions imposed on the use of capital for investments in assets, which could be cash, investments (e.g. this could include investments by the fund manager in its own funds) or fixed assets (e.g. this could include investment in hardware and other office infrastructure).</i></li> <li><i>Given the need to maintain base capital or ongoing capital requirements at or above the mandated level, it would be prudent to maintain a capital buffer (usually in cash), to allow for asset depreciation, drawdown of funds to meet operating or other expenses and/or losses.</i></li> <li><i>The base capital requirements ["BCR"] for CMS licensees are as stated in the First Schedule of the Securities and Futures (Financial and Margin Requirements) Regulations.</i></li> </ul>		

### 3) Ongoing Requirements

The ongoing requirements below serve to clarify the Authority's expectations in key areas of a fund manager's operations, and business conduct. This table is not meant to serve as an exhaustive list of the regulatory requirements that apply to Notified or Licensed FMCs. It is the responsibility of all fund managers to be familiar, as well as to comply, with all applicable laws, regulations, notices and guidelines.

Requirements	Rationale	Notified Fund Management Companies ["Notified FMCs"]	Licensed Accredited/ Institutional Fund Management Companies ["Licensed A/I FMCs"]	Licensed Retail Fund Management Companies ["Licensed Retail FMCs"]
<b>(Ongoing) Risk-Based Capital Requirements</b>	To act as a buffer against potential liabilities that may arise from the ordinary course of business.	<ul style="list-style-type: none"> <li>Nil</li> </ul>	<ul style="list-style-type: none"> <li>Subject to the risk-based capital requirements under the Securities and Futures (Financial and Margin Requirements) Regulations.</li> </ul>	
<b>Compliance Arrangements</b>	To provide independent oversight over the FMC's compliance with applicable laws, regulations, guidelines and internal policies.	<ul style="list-style-type: none"> <li>In view of the smaller scale of operations of Notified FMCs, there is no requirement for compliance to be independent or dedicated.</li> </ul>	<ul style="list-style-type: none"> <li>The compliance function must be independent from the front office.</li> <li>Large managers (AUM is close to or above S\$1bn) should have independent and dedicated compliance.</li> </ul>	<ul style="list-style-type: none"> <li>Licensed Retail FMCs must have an independent and dedicated compliance function, which is based in Singapore.</li> </ul>
		<p><i>Notes:</i></p> <ul style="list-style-type: none"> <li>The CEO and Board of Directors of the FMC are ultimately responsible for ensuring compliance with all applicable laws and regulations.</li> <li>"Independent" means that the compliance function is distinct from front office.</li> <li>"Dedicated" means that the compliance function is performed on a full-time basis by individuals who are not involved in any other front, middle and back office functions, excluding control functions such as internal audit.</li> </ul>		
<b>Custodial Arrangements for Customers' Monies and Assets</b>	To strengthen safeguards for customers' monies and assets, against theft or misappropriation.	<ul style="list-style-type: none"> <li>FMCs are required to place their customers' monies and assets with a custodian which is licensed, registered or authorised (to perform the custodial function) in the jurisdiction where the monies or assets are being held.</li> </ul>		
<b>Fund Administration</b>		<ul style="list-style-type: none"> <li>FMCs must ensure independence, or the adequate segregation of duties, particularly in the performance of functions such as valuation/ fund accounting, acting as a fund registrar, and client reporting (e.g. the sending of monthly account statements).</li> </ul>		
<b>Client Disclosure</b>	To facilitate the process of sound due diligence.	<ul style="list-style-type: none"> <li>FMCs should provide adequate disclosure to their investors on issues such as: <ul style="list-style-type: none"> <li>Custodial and fund administration arrangements</li> <li>Compliance arrangements</li> <li>Any (potential) conflicts of interest</li> <li>PII arrangements</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Disclosure requirements are mandated in the prospectus of the fund offerings.</li> </ul>	