

Singapore: Repeal of Registered Fund Management Companies Regime

In brief

On 24 October 2023, the Monetary Authority of Singapore (MAS) issued a consultation paper on its intention to repeal the Registered Fund Management Companies (RFMC) Regime ("**Repeal**") and requested feedback on its proposed transitional arrangements for existing RFMCs to continue to operate following the Repeal.¹

The effect of the Repeal means that current RFMCs will need to successfully obtain a capital markets services (CMS) licence for fund management in order to continue carrying out fund management activities following the Repeal. Additionally, any fund managers seeking to register as an RFMC will be unable to do so from 1 January 2024 (as currently proposed by MAS) and will need to consider the other licence categories for fund management companies. MAS is introducing a simplified process for existing RFMCs that wish to apply to become an accredited/institutional investor licensed fund management company (A/I LFMC).

We highlight below the key features of MAS's proposed transitional arrangements and the process for applying to become an A/I LFMC.

In this issue

Proposed transitional arrangements for the repeal of the RFMC Regime

Background: the current regime

Currently, to carry out fund management activity in Singapore, a fund management company (FMC) must either: (i) hold a CMS licence issued by MAS; or (ii) fall under an exemption to the licensing requirements.

The RFMC regime is an exemption to fund management licensing requirements for FMCs managing up to SGD 250 million of assets and carrying out fund management for up to 30 accredited or institutional investors. MAS proposes removing this available exemption in order to streamline the regulatory regime, as it believes that: (i) the regime has served its purposes of aiding the transition of the repeal of its predecessor, the exempt fund manager regime; and (ii) RFMCs are closely aligned with A/I LFMCs (a subcategory of the capital markets licence regime), in terms of both the admission criteria and business conduct requirements that are in place to

¹ MAS Consults on Streamlined Regulatory Framework for Fund Managers — <https://www.mas.gov.sg/news/media-releases/2023/mas-consults-on-streamlined-regulatory-framework-for-fund-managers>.

safeguard investors and the business models and risk profiles of each regime.² MAS also notes that many former RFMCs have already transitioned to an A/I LFMC to reflect the growth of their businesses.

Below is an extract from Table 1 of the consultation paper, which sets out an overview comparing key aspects of the RFMC regime against the A/I LFMC regime, as it currently stands.

	A/I LFMC	RFMC
Financial requirements		
Base capital requirement	S\$250,000	
Risk-based capital requirement	Financial resources at least 120% of total risk requirement	Not applicable
Reporting frequency for financial returns	Quarterly	Annual
Staffing and ownership		
Minimum number of directors, representatives and relevant professionals	2 directors (at least one with an executive role), 2 representatives and 2 relevant professionals	
Competency of CEO, directors and relevant professionals	At least 5 years of relevant experience, including managerial experience for CEO and directors	
Appointment of CEO, directors and representatives, and changes in controllers	Ex-ante approval required	Ex-post notification
Business conduct and audit requirements		
Risk management, internal controls and mitigation of conflicts of interest	Adequate and effective arrangements required at all times	
Compliance and internal audit	Adequate and effective arrangements required at all times, commensurate with nature and scale of activities	
Custody and valuation of assets	Required to be conducted independently	
External audit	Annual independent audit required	
Fees		
Application fee	S\$1,000 plus S\$200 per representative	None
Annual fee	S\$4,000 plus S\$200 per representative	S\$1,000

In summary, RFMCs that successfully transition to the A/I LFMC regime will no longer be subject to any limits on the number of investors. However, they will similarly only be permitted to conduct fund management for accredited and institutional investors. RFMCs will also be subject to ongoing risk-based capital requirements and more onerous periodic and ad hoc filing requirements, as currently applicable to A/I LFMCs.

Importantly, MAS intends to continue to restrict RFMCs to managing not more than SGD 250 million of assets under management (by way of imposing licence conditions). Those that wish to manage more than SGD 250 million of assets under management will need to engage MAS to review the licence condition. MAS may also impose additional conditions or requirements on a case-by-case basis, in order to address unique risks posed by a particular FMC.

These requirements will apply similarly to new A/I LFMCs that may have qualified as RFMCs if not for the Repeal.

Proposed process for RFMCs applying to become A/I LFMCs

² MAS Consults on Streamlined Regulatory Framework for Fund Managers — <https://www.mas.gov.sg/news/media-releases/2023/mas-consults-on-streamlined-regulatory-framework-for-fund-managers>.

To continue carrying on fund management activities after the RFMC has been repealed, an existing RFMC must apply for and be granted a CMS licence for fund management prior to the Repeal. MAS will announce the window during which RFMCs must submit their applications for a CMS licence, which will have to be made in a prescribed form as set out in the consultation paper (Form 1AR).

RFMCs that fail to submit the licence application by the prescribed deadline or obtain the CMS licence before the Repeal date will not be able to continue their fund management business.

MAS will only grant a CMS licence to RFMCs that have: (i) carried on business in fund management activities in the six months immediately preceding the submission of the application form (Form 1AR); and (ii) submitted Form 1AR by the final submission date during the submission window. The only documents to accompany Form 1AR are: (i) a copy of the RFMC's declaration (when submitting the application electronically); and (ii) a written undertaking to MAS. Unlike the usual application process for A/I LFMC applicants, it appears that Form 3A and Form 11 will not be required. Instead, exempt representatives will be transitioned into appointed representatives and a "fit and proper" declaration will be made upon submission of Form 1AR. There will be no licence application fee or a fee for the notification of existing representatives. However, annual licence and representative registration fees will apply after the licence is issued (which will be pro-rated in the first year).

Proposed transitional arrangements for other filing requirements

The consultation paper sets out the expectations regarding other reporting requirements that span the Repeal date, specifically regarding changes that take place before the Repeal date, and the submission of annual regulatory returns for the financial year ending before the Repeal date. An overview of these expectations is set out in the diagrams below, extracted from the consultation paper.

Diagram 1 – Reporting of changes in particulars

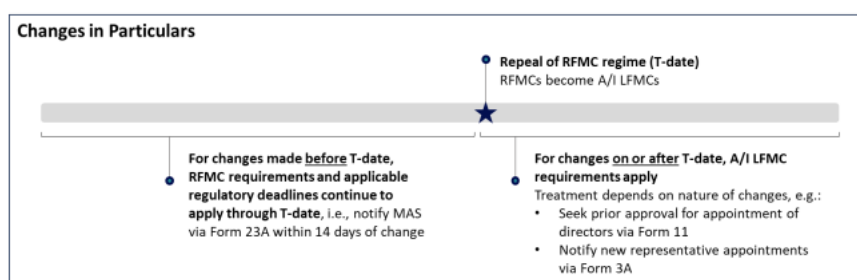
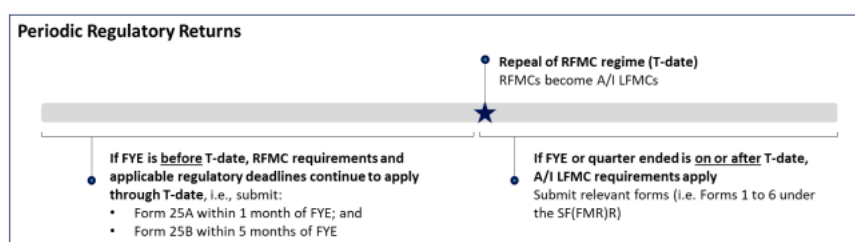


Diagram 2 – Submission of periodic regulatory returns



Key dates

MAS is to provide further information in respect of the timeline, but the key dates so far are as follows:

- 24 October 2023 — consultation on proposed transitional arrangements opened
 - 31 December 2023 — consultation on proposed transitional arrangements closes
 - 1 January 2024 — MAS proposes to stop accepting new RFMC applications
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If you have any feedback or questions, please let us know.

The above is not intended to be exhaustive or to constitute legal advice.

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