

November 2023

Repeal of Singapore's registered fund management company regime



“Practical, timely, efficient and comprehensive input into all our deals.”

The Legal 500 Asia Pacific 2023

Executive summary

On 24 October 2023, the Monetary Authority of Singapore ("MAS") published a [Consultation Paper](#) ("**Consultation Paper**") which proposes to repeal the regulatory regime for registered fund management companies ("**RFMCs**") in efforts to streamline the regulatory regime for fund management companies.

In summary, the Consultation Paper sets out the proposed transitional arrangements for existing RFMCs that intend to continue operating fund management business following the repeal. Interested parties are invited to provide their comments and feedback to MAS on the proposed repeal of the RFMC regime by 31 December 2023 via this [link](#).

Overview of the RFMC regime

The RFMC regime was introduced in 2012 to replace the Exempt Fund Manager ("**EFM**") regime that was previously in effect. At that time, existing EFMs had the option to apply to become either a LFMC or a RFMC. The repeal of the EFM regime aimed to enhance regulatory oversight and raise the standard of conduct across the fund management industry. The RFMC regime was introduced to facilitate the transition of EFMs into a fully regulated regime.

Although RFMCs have similar admission criteria and business conduct requirements as LFMCs serving only accredited or institutional investors ("**A/I LFMCs**"), RFMCs are subject to lighter requirements in terms of the frequency and granularity of regulatory reporting, given that RFMCs are limited to serving up to only 30 qualified investors and having assets under management ("**AUM**") of not more than S\$250 million.

Repeal of the RFMC regime

The fund management industry has evolved and expanded significantly since the introduction of the RFMC regime. There has been a significant increase in asset inflows in Singapore due to its low taxes, relatively stable political climate and policies favourable for setting up funds. Consequently, several RFMCs have elected to transition into A/I LFMCs so as to surpass the AUM threshold and capitalise on additional business opportunities.

Moreover, most new entrants carrying out business in fund management show a preference for applying to be A/I LFMCs as opposed to RFMCs. Between 2015 and

2022, the RFMC population hovered between 260 and 290. Over the same period, the LFMC population grew from about 300 to over 700. As such, the MAS is of the view that the RFMC regime has run its course and that the convergence of the business models and risk profiles of RFMCs and A/I LFMCs has made the regulatory distinction between the two regimes less meaningful.

Proposed transitional arrangements

For existing RFMCs to continue carrying on fund management activities after the RFMC regime is repealed, they must apply for and be granted a capital markets services license ("**CMS license**") for fund management prior to the repeal.

MAS will grant a CMS licence to RFMCs that: (a) have carried on business in fund management activities¹ in the six months immediately preceding the submission of their application; and (b) have submitted an application within the stipulated timeline.

In the application, RFMCs will be required to provide latest available information on its business activity, set out their AUM and confirm their ability to comply with the regulatory requirements for A/I LFMCs. The MAS will respond to all applications from interested RFMCs within one month from the submission. Exempt representatives of the RFMC applicant will be transitioned to appointed representatives. Where there are known concerns with a RFMC's regulatory history or the fitness and propriety of the RFMC, its directors, shareholders or staff, the MAS will review its licensing status and may impose additional restrictions or conditions.

Details pertaining to the application process such as the timeline and the mode of submission of the application form have not been provided as of the date of this internal note and will be provided by the MAS in due course.

To facilitate the transition, RFMCs applying to become A/I LFMCs during the prescribed application window will not have to pay any application fee for the corporate entity, nor any fee for the notification of their existing representatives². Currently, the annual corporate license and representative fees for CMS license holders are S\$4,000 and S\$200 per representative respectively. Upon being licensed, the prevailing CMS annual corporate licence fee and representative fees

¹ "Fund management" is defined in the Second Schedule of the Securities and Futures Act 2001 ("**SFA**") to mean the property of, or operating, a collective investment scheme, or undertaking on behalf of a customer (whether on a discretionary authority granted by the customer or otherwise) –
(a) the management of a portfolio of capital markets products; or

(b) the entry into spot foreign exchange contracts for the purpose of managing the customer's funds, but does not include real estate investment trust management.
² Representatives of RFMCs are currently representatives of exempt persons under section 99B(1)(d) of the SFA.

will apply to such A/I LFCs and their representatives on a pro-rated basis³.

RFMCs that do not submit applications by the stipulated deadline will be considered to have opted to cease fund management activities upon the repeal of the RFMC regime.



Specific restrictions and requirements for RFMC-transitioned A/I LFCs

As RFMCs' internal controls and staffing arrangements tend toward managing smaller pools of assets, the MAS will retain the limit of S\$250 million on the managed assets of RFMCs that transition to become A/I LFCs. Nonetheless, after the transition, transitioned A/I LFCs can apply to the MAS to review their licence conditions and uplift the limit on their AUM should they plan to manage more amounts of assets. There is also no limit on the number of investors or funds managed.

Transitioned A/I LFCs are required to comply with the reporting requirements applicable to typical A/I LFCs and seek prior approval from the MAS for certain changes, such as their shareholders and key appointment holders. Further, transitioned A/I LFCs will need to comply with existing RFMC reporting requirements for changes in particulars that occur before the repeal date and submission of annual regulatory returns for the financial year ending before the repeal date.

Moreover, RFMCs that have been issued written directions and/or have specific conditions imposed on their regulatory status should continue to adhere to such directors and/or conditions even after these RFMCs become A/I LFCs. Where the directions issued by MAS relate to the remediation of deficiencies, the A/I LFC will be required to complete the remediation within the timeframe set by MAS.

Legislative amendments and implementation plan

To minimise the volume of transition applications from RFMCs to A/I LFCs, the MAS will cease accepting new RFMC applications from 1 January 2024. Thereafter, applicants seeking to conduct fund management activities can apply for a CMS licence for fund management after ensuring that they are able to meet all admission and ongoing requirements.

MAS will continue to review any RFMC application that remains outstanding after 1 January 2024, with a view to registering all successful applicants before the repeal date. MAS will implement the repeal of the RFMC regime after considering industry feedback to the Consultation Paper and finalising the legislative amendments.

Potential effects

The repeal of the RFMC regime marks a notable shift in Singapore's regulatory regime for fund management companies. The less stringent RFMC regime is now deemed obsolete, and represents MAS' intention to enhance regulations for companies conducting fund management in Singapore.

The proposed transitional arrangements will likely ease the administrative burden on RFMCs looking to transition to an A/I LFC status. However, it might not benefit all, and small industry players or RFMCs with no plans to expand may face challenges in meeting the new stringent requirements, thus forcing them to merge with other fund managers or exit the industry altogether.

On the other hand, RFMCs that are keen to expand and transition to an A/I LFC may now capitalise on the proposed transition plan to expedite the process of obtaining a CMS license, which previously required at least six months to review.

How can we help

We have a multidisciplinary team and we regularly act for fund management companies in setting up funds and ensuring the compliance of industry regulations and governmental policies. Among other things, we can assist you and your company in the set-up of fund management companies, the submission of new fund management licence applications and the transition to LFCs during this period.

³ From the date of licensing until 31 December 2023.

Get in touch



Sheetal Sandhu

Partner at Virtus Law
T: +65 6661 6523
E: sheetal.sandhu@shlegalworld.com



Tom Platts

Partner
T: +65 6622 9641
E: tom.platts@shlegal.com



Jay Tai

Partner
T: +65 6622 6245
E: jay.tai@shlegal.com



Jonathan Goacher

Partner
T: +65 6622 9699
E: jonathan.goacher@shlegal.com



Suzanne Johnston

Partner
T: +65 6622 9649
E: suzanne.johnston@shlegal.com



Yi Lee

Managing Associate
T: +65 6622 9562
E: yi.lee@shelgal.com



Claris Saw

Associate at Virtus Law
T: +65 6661 6893
E: claris.saw@shlegalworld.com

With thanks to Sam Pak, a trainee solicitor in the corporate team, for his assistance on this article.

The Singapore law aspects of this article were written by members of Virtus Law (a member of the Stephenson Harwood (Singapore) Alliance).

Stephenson Harwood is a law firm of over 1300 people worldwide, including 200 partners. Our people are committed to achieving the goals of our clients – listed and private companies, institutions and individuals.

We assemble teams of bright thinkers to match our clients' needs and give the right advice from the right person at the right time. Dedicating the highest calibre of legal talent to overcome the most complex issues, we deliver pragmatic, expert advice that is set squarely in the real world.

Our headquarters are in London, with eight offices across Asia, Europe and the Middle East. In addition, we have forged close ties with other high quality law firms. This diverse mix of expertise and culture results in a combination of deep local insight and the capability to provide a seamless international service.

The Stephenson Harwood (Singapore) Alliance (the "**Alliance**") is part of the Stephenson Harwood network and offers clients an integrated service in multi-jurisdictional matters involving permitted areas of Singapore law. The Alliance is comprised of Stephenson Harwood LLP and Virtus Law LLP. Court litigation services in Singapore, and Singapore law advice are provided by the Singapore law firm, Virtus Law LLP.