

MARCH 2025

Financial Institutions (Miscellaneous Amendments) Act 2024 of Singapore comes into effect to enhance MAS' powers



Introduction

The Financial Institutions (Miscellaneous Amendments) Act 2024 ("**FIMA Act**") has been enacted to enhance the powers of the Monetary Authority of Singapore ("**MAS**"). These changes are crucial for financial institutions and related entities, introducing more rigorous oversight and compliance requirements.

Background

The FIMA Act enhances and rationalises the investigative, reprimand, supervisory, and inspection powers of the MAS across several key legislations under MAS' purview as follows:

- (a) Financial Advisers Act 2001 of Singapore ("**FAA**");
- (b) Financial Services and Markets Act 2022 of Singapore ("**FSMA**");
- (c) Insurance Act 1996 of Singapore ("**IA**");
- (d) Payment Services Act 2019 of Singapore ("**PSA**");
- (e) Securities and Futures Act 2001 of Singapore ("**SFA**"); and
- (f) Trust Companies Act 2005 of Singapore ("**TCA**").

The FIMA Act has partially come into force on 30 August 2024, making amendments to the relevant legislations to expand MAS' powers to issue directions to capital markets services ("**CMS**") licence and to clarify MAS' reprimand powers, amongst others. The second phase of the FIMA Act has taken effect on 24 January 2025, which involves enhancements to MAS' investigative powers as well as MAS' powers in respect of financial institutions ("**FIs**").

These legislative amendments have been made to four (4) key areas as set out below.

Key amendments in the FIMA Act

1. Enhancement of MAS' investigative powers

MAS investigates and enforces a wide range of violations using its powers under the laws and regulations it administers. These violations include breaches of business conduct requirements by regulated FIs as well as insider trading and fraud or deception when dealing in securities.

As certain investigative powers available to MAS under the SFA and FAA are not available in the other MAS-administered Acts, the FIMA Act closes the gaps by enhancing and broadly making consistent the investigative powers across all MAS-administered Acts. The FIMA Act also widens some existing powers under the SFA and FAA to ensure their effectiveness.



The key changes include the following:

- **Investigation by MAS:** MAS may conduct such investigation as it considers necessary or expedient to: (i) perform any of its functions and duties under the relevant Act; (ii) ensure compliance with the relevant Act or any written direction issued under the relevant Act; and (iii) investigate an alleged or suspected contravention of any provision of the relevant Act or any written direction issued under the relevant Act.
- **Power to enter premises without warrant:** MAS' power to enter premises without a warrant under the SFA and FAA will be enhanced to allow MAS to do so without giving prior notice, provided that there are reasonable grounds for suspecting that the premises have been occupied by a person who is being investigated in relation to a contravention under the SFA and FAA. This power will also be extended to the other MAS-administered Acts.

- **Requirement to provide assistance:** MAS' power under the SFA and FAA to require a person to provide all reasonable assistance in connection with an investigation and to appear before an MAS officer for examination and to answer questions will be extended to the other MAS-administered Acts.
- **Transfer of evidence:** The provisions in the SFA and FAA that enable evidence to be transferred between MAS and the Singapore Police Force Commercial Affairs Department or the Attorney-General's Chambers have been expanded and extended to the other MAS-administered Acts to facilitate greater inter-agency coordination in criminal investigations and regulatory actions.

2. Clarification of MAS' reprimand powers

Amendments have been made to clarify MAS' reprimand powers, making it clear that MAS may reprimand a person who was a "relevant person" (i.e. FIs regulated by MAS under the relevant Acts or their employees, officers, partners, or representatives) guilty of misconduct, even if the person is no longer regulated by MAS or has left the FI.

3. Expanding MAS' powers to issue directions

As CMS licence holders may conduct unregulated businesses, including offering products that are not regulated by MAS (e.g. bitcoin futures and other payment token derivatives traded on overseas exchanges), these unregulated activities may pose contagion risks to their regulated activities.

Recognising these risks, the changes to the FIMA Act allows MAS to issue written directions on the minimum standards and safeguards that should be in place when CMS licence holders and their representatives carry out unregulated activities.

4. Enhancement of MAS' supervisory and inspection powers

The FIMA Act further enhances the supervisory and inspection powers under the SFA, FAA, and TCA, to ensure that MAS has consistent powers across these Acts and to align with the Banking Act 1970 of Singapore.

Examples of such amendments include the following:



- **Definition of "effective control":** The definition of "effective control" under the SFA and FAA has been expanded to include situations where: (i) the subject of the acquisition (i.e. a licensed financial adviser, a CMS licence holder, or an approved trustee and their directors) are accustomed or under an obligation to act in accordance with the directions of the person, or (ii) the person is able to determine the policy of the subject.
- **Change-in-control approval:** A potential acquirer seeking to obtain effective control of a CMS licence holder (e.g. Singapore-licensed fund managers) or a licensed financial adviser is no longer required to seek prior approval from MAS before entering into any arrangement for the proposed transaction (e.g. early stages of negotiations for the acquisition, such as before the signing of the sale and purchase agreement ("**SPA**")).

Following the changes introduced by the FIMA Act, MAS' approval is only required prior to the potential acquirer obtaining effective control. This means that the potential acquirer may enter into a conditional SPA without having to first obtain MAS' approval so long as the proposed acquisition is subject to MAS' approval.

In addition, this requirement for persons to obtain MAS' approval before acquiring control of an FI has been extended to locally incorporated recognised market operators, recognised clearing houses, and approved trustees.

- **Appointment and removal of key persons:** The requirement for regulated FIs to obtain MAS' approval before appointing their chief executive

officers and directors have been extended to locally incorporated recognised market operators, recognised clearing houses, and approved trustees. As there are some minor differences in the grounds for removal of key persons, the FIMA Act also consolidates the grounds for removal into a single ground of not being "fit and proper".

Implication for FIs

The FIMA Act introduces a range of enhancements to MAS' powers and ensures greater consistency across the various MAS-administered Acts. As Singapore's financial industry grows in size and complexity, these amendments strengthen MAS' ability to supervise FIs as well as investigate and take enforcement actions against misconduct in the financial sector.

With the latest changes taking effect on 24 January 2025 which heighten regulatory scrutiny, FIs and the relevant parties (e.g. potential acquirers of FIs) should assess their compliance frameworks to align with the new regulatory expectations and be mindful of MAS' expanded oversight and enforcement powers to mitigate potential regulatory risks and ensure that they adhere to MAS' evolving regulatory framework.

How we can assist

Our firm is committed to supporting you through these changes by offering:

- **Compliance assessment:** Evaluating your current compliance frameworks to ensure alignment with the new regulations.
- **Application assistance:** Guiding you through the process of obtaining necessary approvals for changes in control or key appointments.
- **Strategic advisory:** Providing insights and strategies to mitigate regulatory risks and capitalise on new opportunities.

Please do not hesitate to contact us for further assistance or inquiries.

Get in touch



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