

Financial Institutions

MAS Issues Information Paper on Corporate Finance Thematic Inspection: Good Practices and Key Findings

On 17 April 2023, the Monetary Authority of Singapore ("**MAS**") published an information paper titled "Corporate Finance Thematic Inspection: Good Practices and Key Findings" ("**Information Paper**"). The Information Paper sets out MAS' supervisory expectations for financial institutions ("**FIs**") carrying out corporate finance ("**CF**") advisory activities for initial public offerings ("**IPOs**").

By way of background, between June 2018 to September 2021, MAS conducted thematic inspections of eight Issue Managers ("**IMs**"), which included banks and holders of a capital markets services licence to carry out CF advisory activities, that focused on their controls, policies and procedures ("**P&P**") relating to the due diligence process for IPOs. Where such IMs were also acting as placement agents, MAS also covered their placement activities. The Information Paper sets out the good practices and weaknesses observed, and MAS' expectations from the inspections. MAS expects all IMs to incorporate these expectations, and where appropriate, the good practices into their conduct of CF advisory and placement activities. MAS also expects them to periodically review their internal controls and P&Ps and strengthen their management oversight and control over such activities.

The areas covered are as follows:

- (a) **MAS' Expectations of IMs' Due Diligence Process.** When conducting due diligence on issuers, IMs should:
- have a critical and questioning mind and not overly rely on representations made by issuers, particularly when encountering unusual or unfamiliar circumstances;
 - be alert to information that contradicts or brings into question the reliability of any other statements, representations and information obtained during the due diligence process;
 - perform checks to verify material information or representations, such as through interviews, on-site visits and background checks on the issuer, its group of companies, directors, management and controlling shareholders. Independent verification checks should be made where potential red flags are identified; and
 - form a holistic understanding of the issuer's business and risk profile, particularly if the issuer is operating in unfamiliar markets, or has significant operations in higher-risk jurisdictions.

Client Update: Singapore

2023 APRIL

Financial Institutions

Factors that determine the extent and depth of the due diligence to be undertaken by IMs include, but are not limited to, the following:

- familiarity with the issuer's business, the jurisdictions where it operates and the regulatory environment;
- character and integrity of directors, management and controlling shareholders;
- complexity of the issuer group (i.e. group structure and ownership structure);
- sustainability of the issuer's business model;
- risks to the issuer's business and potential conflicts of interest;
- risk mitigation strategies; and
- past performance and future trends.

IMs should also take guidance from The Association of Banks in Singapore Listings Due Diligence Guidelines.

- (b) **Governance, Compliance and Audit.** IMs should exercise adequate management oversight of its CF advisory activities, including establishing robust P&Ps and ensuring that there is proper supervision of its representatives carrying out CF advisory activities. Effective compliance and internal audit arrangements should also be put in place to support management in their oversight of CF advisory activities.
- (c) **Due Diligence on Issuers.** IMs should perform their role with rigour, due care and appropriate professional scepticism in order to assess the suitability of potential issuers for listing in Singapore. IMs should also consider the MAS' expectations on the conduct of IMs' due diligence set out above.
- (d) **Experts and Advisers.** Experts and advisers (i.e. third parties engaged to assist in the due diligence process, such as accountants, auditors, legal advisers, valuers and private investigators) play an important part in the due diligence process. IMs should take steps to satisfy themselves that they can rely on the findings and opinions of such third parties, such as assessing that these parties are suitably qualified and independent, and that the scope of services provided by these parties is appropriate for the purpose of the IPO transaction.
- (e) **Record Keeping.** Sufficient documentation of due diligence work performed by the IM serves to demonstrate that the IM has discharged its duties and obligations under the relevant rules and regulations.

Click on the following link for more information:

- [Information Paper on Corporate Finance Thematic Inspection: Good Practices and Key Findings](#) (available on the MAS website at www.mas.gov.sg)

Client Update: Singapore

2023 APRIL

Financial Institutions

Apart from the Information Paper, FIs carrying out CF activities should also note the requirements under Notice SFA 04-N21 on "Business Conduct Requirements for Corporate Finance Advisers" ("**Notice**") issued by MAS on 23 February 2023, which applies to all engagements to advise on corporate finance entered into on or after 1 October 2023 by, among others, a holder of a capital markets services licence to advise on CF ("**CF Adviser**") and its representatives in respect of advising on CF.

The Notice requires CF Advisers to manage conflicts of interest and ensure proper governance and supervision, and imposes detailed requirements on the conduct of due diligence by CF Advisers acting in the capacity of an IM, sponsor or financial adviser (as the case may be) for IPOs and reverse takeovers ("**RTOs**"), including business combinations. MAS encourages CF Advisers to start applying the requirements set out in the Notice in the interim, particularly when advising on IPOs and RTOs. For a summary of the salient requirements in the Notice, please click [here](#) to read our Legal Update.

Contacts



Chia Kim Huat
Regional Head, Corporate and
Transactional Group

T +65 6232 0464

kim.huat.chia@rajahtann.com



Abdul Jabbar Bin Karam Din
Head, Corporate and
Transactional Group

T +65 6232 0465

abdul.jabbar@rajahtann.com



Evelyn Wee
Deputy Head, Corporate and
Transactional Group
Head, Capital Markets

T +65 6232 0724

evelyn.wee@rajahtann.com



Tan Mui Hui
Deputy Head, Capital Markets

T +65 6232 0191

mui.hui.tan@rajahtann.com



Cynthia Goh
Partner, Capital Markets

T +65 6232 0316

cynthia.goh@rajahtann.com



Khairil Suhairee
Partner, Corporate Commercial

T +65 6232 0571

khairil.suhairee@rajahtann.com



Cynthia Wu
Partner, Capital Markets

T +65 6232 0775

cynthia.wu@rajahtann.com

Please feel free to also contact Knowledge Management at eOASIS@rajahtann.com

Regional Contacts

R&T SOK & HENG | *Cambodia*

R&T Sok & Heng Law Office

T +855 23 963 112 / 113

F +855 23 963 116

kh.rajahtannasia.com

RAJAH & TANN | *Myanmar*

Rajah & Tann Myanmar Company Limited

T +95 1 9345 343 / +95 1 9345 346

F +95 1 9345 348

mm.rajahtannasia.com

RAJAH & TANN 立杰上海

SHANGHAI REPRESENTATIVE OFFICE | *China*

Rajah & Tann Singapore LLP

Shanghai Representative Office

T +86 21 6120 8818

F +86 21 6120 8820

cn.rajahtannasia.com

GATMAYTAN YAP PATACSIL

GUTIERREZ & PROTACIO (C&G LAW) | *Philippines*

Gatmaytan Yap Patacsil Gutierrez & Protacio (C&G Law)

T +632 8894 0377 to 79 / +632 8894 4931 to 32

F +632 8552 1977 to 78

www.cagatlaw.com

ASSEGAF HAMZAH & PARTNERS | *Indonesia*

Assegaf Hamzah & Partners

Jakarta Office

T +62 21 2555 7800

F +62 21 2555 7899

Surabaya Office

T +62 31 5116 4550

F +62 31 5116 4560

www.ahp.co.id

RAJAH & TANN | *Singapore*

Rajah & Tann Singapore LLP

T +65 6535 3600

sg.rajahtannasia.com

RAJAH & TANN | *Thailand*

R&T Asia (Thailand) Limited

T +66 2 656 1991

F +66 2 656 0833

th.rajahtannasia.com

RAJAH & TANN | *Lao PDR*

Rajah & Tann (Laos) Co., Ltd.

T +856 21 454 239

F +856 21 285 261

la.rajahtannasia.com

RAJAH & TANN LCT LAWYERS | *Vietnam*

Rajah & Tann LCT Lawyers

Ho Chi Minh City Office

T +84 28 3821 2382 / +84 28 3821 2673

F +84 28 3520 8206

CHRISTOPHER & LEE ONG | *Malaysia*

Christopher & Lee Ong

T +60 3 2273 1919

F +60 3 2273 8310

www.christopherleeong.com

Hanoi Office

T +84 24 3267 6127

F +84 24 3267 6128

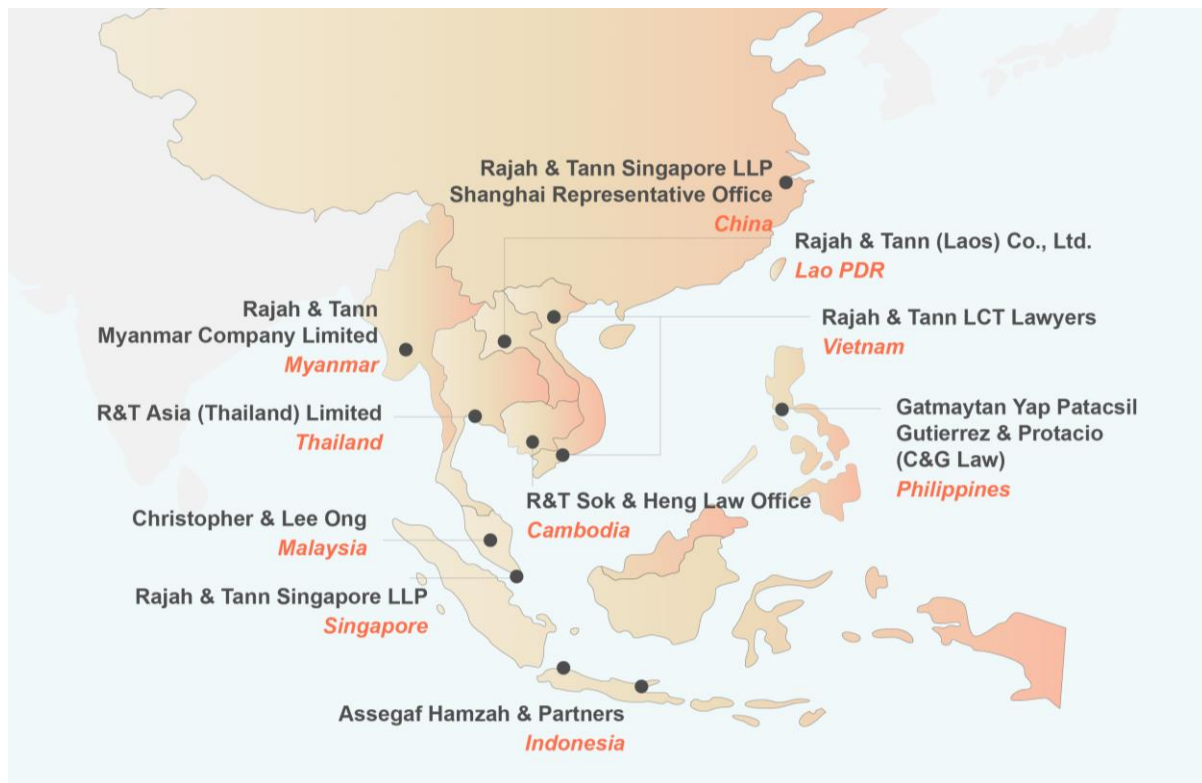
www.rajahtannlct.com

Rajah & Tann Asia is a network of legal practices based in Asia.

Member firms are independently constituted and regulated in accordance with relevant local legal requirements. Services provided by a member firm are governed by the terms of engagement between the member firm and the client.

This update is solely intended to provide general information and does not provide any advice or create any relationship, whether legally binding or otherwise. Rajah & Tann Asia and its member firms do not accept, and fully disclaim, responsibility for any loss or damage which may result from accessing or relying on this update.

Regional Presence



Rajah & Tann Singapore LLP is one of the largest full-service law firms in Singapore, providing high quality advice to an impressive list of clients. We place strong emphasis on promptness, accessibility and reliability in dealing with clients. At the same time, the firm strives towards a practical yet creative approach in dealing with business and commercial problems. As the Singapore member firm of the Lex Mundi Network, we are able to offer access to excellent legal expertise in more than 100 countries.

Rajah & Tann Singapore LLP is part of Rajah & Tann Asia, a network of local law firms in Cambodia, China, Indonesia, Lao PDR, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam. Our Asian network also includes regional desks focused on Brunei, Japan and South Asia.

The contents of this Update are owned by Rajah & Tann Singapore LLP and subject to copyright protection under the laws of Singapore and, through international treaties, other countries. No part of this Update may be reproduced, licensed, sold, published, transmitted, modified, adapted, publicly displayed, broadcast (including storage in any medium by electronic means whether or not transiently for any purpose save as permitted herein) without the prior written permission of Rajah & Tann Singapore LLP.

Please note also that whilst the information in this Update is correct to the best of our knowledge and belief at the time of writing, it is only intended to provide a general guide to the subject matter and should not be treated as a substitute for specific professional advice for any particular course of action as such information may not suit your specific business and operational requirements. It is to your advantage to seek legal advice for your specific situation. In this regard, you may call the lawyer you normally deal with in Rajah & Tann Singapore LLP or email Knowledge Management at eOASIS@rajahtann.com.