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MAS Consults on Revised Licensing Exemption Framework, New Notification and Reporting Requirements for Single Family Offices

Introduction

On 31 July 2023, the Monetary Authority of Singapore ("MAS") [launched a public consultation](#) on a revised framework to manage money laundering ("ML") risks in Singapore's Single Family Office ("SFO") sector.

As a regulator, one of MAS' functions is to ensure that Singapore financial institutions ("FIs") address ML risks that their customers, including SFOs, may bring to Singapore. In light of the increasing number of SFOs being set up in Singapore, MAS therefore intends to take additional measures to strengthen surveillance and defence against ML risks in the SFO sector.

Currently, SFOs can either rely on existing class exemptions from licensing requirements under the Securities and Futures Act 2001 ("SFA") or apply to MAS for case-by-case exemptions. The proposed revised framework will:

1. introduce a harmonised class exemption from licensing under the SFA that will eliminate case-by-case exemptions;
2. introduce new notification and annual reporting requirements to better monitor SFOs operating in Singapore; and
3. allow for a transitional period of six months.

The [public consultation](#) closes on **30 September 2023**.

Class Exemption Requirements

At present, SFOs must be considered a "related corporation" of the fund vehicle in order to qualify for the licensing exemption under the SFA. Where SFOs utilise different ownership structures or non-corporate entities, they will need to seek a case-by-case licensing exemption from MAS.

To remove the need for case-by-case licensing exemptions, MAS proposes to introduce a class exemption for SFOs. To qualify, an SFO must meet all of the following criteria ("**Exemption Criteria**"):



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1. **be wholly owned, whether directly or indirectly, by members of the same family** (defined in Annex 1 as lineal descendants of a common ancestor, including spouses, adopted children and stepchildren);
2. **conduct fund management for or on behalf of specified persons**, namely:
 - a. family members, including family trusts and corporations wholly owned by and for the sole benefit of the family;
 - b. charitable organisation(s) funded exclusively by the family;
 - c. the chief executive officer ("**CEO**") and executive directors of the SFO ("**Key Employees**"), in recognition of a growing trend for such Key Employees to invest alongside the family to align economic interests and risk-sharing;
3. **be incorporated in Singapore**, ensuring that the SFO will be subject to beneficial ownership requirements for Singapore-incorporated companies. It must also have at all times an employee who is resident in Singapore as the designated point of contact between the SFO and MAS; and
4. **establish and maintain business relationships with at least one of the MAS-regulated FIs listed in Annex 1 ("Regulated FIs")**, ensuring that the SFO will be subject to anti-ML and countering the financing of terrorism (AML/CFT) checks by Regulated FIs.

If an SFO cannot meet the Exemption Criteria, it will be in breach of the SFA should it continue to carry on business in fund management.

Notification and Annual Reporting Requirements

Notification requirements

Within seven days of commencing operations, SFOs must notify MAS of the following:

1. specified particulars of the SFO, such as its name, UEN and date of incorporation, and the amount of assets to be managed by the SFO;
2. provide a signed declaration by all the family members who own the SFO ("**Ultimate Owners**") and Key Employees that the SFO fulfils all of the Exemption Criteria;
3. provide a second signed declaration by the Ultimate Owners and Key Employees that:
 - a. its Ultimate Owners are not the subject of any investigation or civil or criminal proceedings, whether in Singapore or elsewhere;

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- b. its Ultimate Owners and Key Employees have never been convicted of a serious crime or been involved in ML/terrorism financing/proliferation financing (ML/TF/PF); and
 - c. it does not and will not engage in any activity with designated persons or entities; and
4. the SFO has obtained a legal opinion that it has satisfied the first two Exemption Criteria.

Annual Reporting Requirements

Within 14 days of the end of each calendar year, an SFO must submit an annual return to MAS to report their:

1. total assets under management; and
2. names of Regulated FIs with whom it has established and maintained business relations with as at the end of the calendar year (in fulfilment of the fourth Exemption Criteria above).

Transitional Period

Existing SFOs operating in Singapore will need to meet the notification requirements within **six months** of the effective date of the proposed framework. The existing licensing exemption relied upon by the SFOs will be withdrawn upon the filing of the notification or at the end of the transitional six-month period, whichever is earlier. Where a SFO has applied for tax incentive under Section 130 or Section 13U of the Income Tax Act 1947, and furnished a legal opinion to MAS as part of its application, the SFO will also be required to obtain a new legal opinion that the SFO qualifies under the Exemption Criteria.

New SFOs will have to meet the notification requirements above within seven days of commencing operations in Singapore.

Once the notification has been filed, an SFO may commence or continue its operations as relevant. MAS' acknowledgement will not be required.

If you have any queries on the above development or would like to submit any feedback on the Consultation Paper, please feel free to contact our team members below who will be happy to assist.

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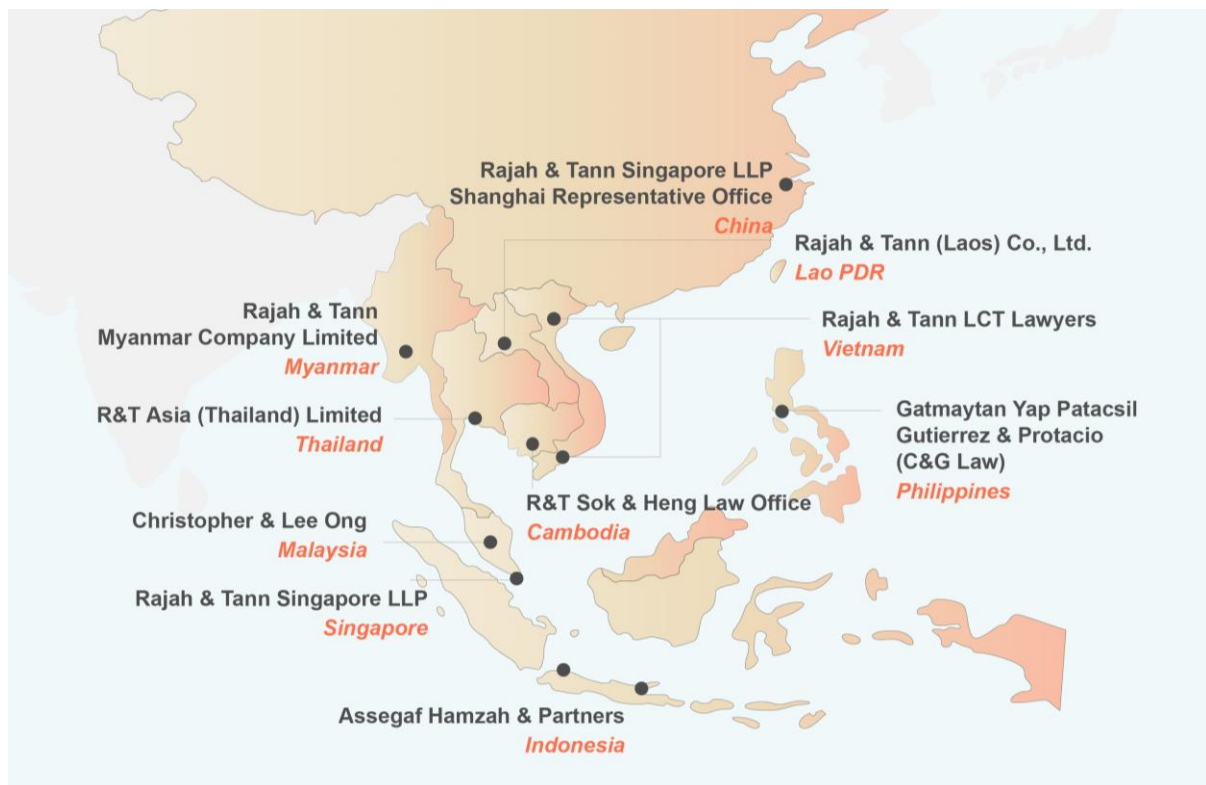
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