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MAS Consults on Repealing Registered Fund Management Companies (RFMC) Regime

Introduction

On 24 October 2023, the Monetary Authority of Singapore ("**MAS**") published the [Consultation Paper on Repeal of Regulatory Regime for Registered Fund Management Companies](#) ("**Consultation Paper**") which (i) proposes to repeal the regulatory regime for Registered Fund Management Companies ("**RFMCs**") as part of enhancing the regulatory regime for fund management companies ("**FMCs**") and (ii) sets out MAS' proposed transitional arrangements for existing RFMCs that intend to continue to carry on fund management business following the repeal. Existing RFMCs that are in operation may apply to become licensed fund management companies (LFMCs) that are restricted to serve accredited or institutional investors ("**A/I LFMCs**"). Feedback should be submitted by 31 December 2023 via the following link: <https://go.gov.sg/rfmcrepeal>.

The RFMC regime was introduced by MAS in 2012 to replace the previous Exempt Fund Manager ("**EFM**") regime, to improve MAS' regulatory oversight of fund managers and in recognition of the diversity of fund managers operating as EFMs. The RFMC regime was intended to make it easier for some of the EFMs to transition into a fully regulated regime. There are significant overlaps in the admission criteria and business conduct requirements for RFMCs and A/I LFMCs under the present law in areas such as risk management, asset custody, and asset valuation, with the main differences between the A/I LFMC and RFMC regulatory tiers being lower fees payable by RFMCs and the frequency and granularity of reporting requirements.¹

This Update spotlights the salient aspects of the new revised simplified regime after the repeal of the RFMC regime.

Current RFMC Regime

RFMCs are restricted to:

- (a) carrying out fund management for not more than 30 accredited or institutional investors, of which no more than 15 may be collective investment schemes; and
- (b) managing not more than S\$250 million of assets.

To grow their fund management businesses beyond the above limits, RFMCs must apply to become

¹ For details, please refer to Table 1 in the Consultation Paper that sets out more fully the key admission criteria and ongoing requirements for A/I LFMCs and RFMCs.

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A/I LFMCs.

Revised Simplified Regime – Proposed Transitional Arrangements

Application to be A/I LFMC

Existing RFMCs can continue operating as usual during the transition process. Prior to the repeal of the RFMC regime, an existing RFMC must apply for and be granted a capital markets service ("**CMS**") licence for fund management to become an A/I LFMC to continue carrying on fund management business.

The proposed simplified process and requirements for RFMCs that wish to apply to become A/I LFMCs are set out below.

- *Prescribed form and information*

An RFMC must submit the prescribed application form ("**Form**") (set out at Annex 1 to the Consultation Paper) within the prescribed timeline, along with the requisite information. Information required includes setting out their assets under management and confirming their ability to comply with the regulatory requirements for A/I LFMCs. RFMCs that transition to A/I LFMCs will be subject to specific requirements (discussed below). MAS will provide more details on the application timeline and mode of submission of the Form in due course. It should be noted that 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.

- *Continuing business*

The RFMC must have carried on business in fund management activities in the six months immediately preceding the submission of the Form.

- *Fees payable*

RFMCs applying to become A/I LFMCs during the prescribed application window do not need to pay any application fee for the corporate entity. There is also no fee payable for the notification of their existing representatives.

Upon being licensed, the prevailing CMS annual corporate licence fee and representative fees will apply on a pro-rated basis to such A/I LFMCs and their representatives. At present, the annual corporate licence and representative fees for CMS licence holders are S\$4,000 and S\$200 per representative respectively.

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- *Application outcome and grant of CMS licence*

Within a month of submission, MAS will respond to all applications from RFMCs and issue the successful applicants with a CMS licence upon the repeal of the RFMC regime. Their exempt representatives will be transitioned to appointed representatives.

If there may be concerns with an RFMC's regulatory history or the fitness and propriety of the RFMC, its directors, shareholders or staff, MAS will review its licensing status and may impose additional restrictions or conditions.

- *Specific restrictions and requirements on A/I LFMCs transitioned from RFMCs*

(a) *Licence conditions.* RFMCs that transition to A/I LFMCs will be subject to licence conditions to restrict their managed assets to S\$250 million. If the A/I LFMC intends to manage more than this amount of assets, the A/I LFMC may engage MAS to review the licence condition. There will be no cap on the number of investors or funds managed.

(b) *Reporting requirements applicable to typical A/I LFMCs. These include:*

- (i) For changes in particulars that occur before the repeal date, the FMC is required to comply with existing RFMC requirements by submitting Form 23A within 14 days of the change, even if the 14-day period crosses the repeal date. For changes in particulars occurring after the repeal date, requirements applicable to A/I LFMCs will apply, which include seeking prior approval for director appointments.
- (ii) For the submission of annual regulatory returns for the financial year ending before the repeal date, the FMC must comply with existing RFMC requirements by submitting: (1) an annual declaration via Form 25A within one month from the financial year end ("FYE"), and (2) an auditor's report via Form 25B no later than five months from the FYE, even if the respective submission periods cross the repeal date. If the FMC has submitted Forms 25A and 25B, the FMC does not have to additionally submit regulatory returns required of an A/I LFMC for the same financial year already covered by the two forms.
- (iii) Obtaining MAS' prior approval for certain changes (such as changes to their shareholders and key appointment holders);
- (iv) Being subject to other regulatory requirements. MAS advises FMCs to refer to the Compliance Toolkit for Licensed Fund Management Companies, and for the FMCs which do not have in-house compliance support, MAS advises these FMCs to engage professional compliance service providers to assist them in complying with the applicable regulatory requirements.

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- (v) For a small number of RFMCs who have been given written directions and conditions, these directions and conditions will continue to apply even after these RFMCs become A/I LFMCs. Where the directions issued by MAS relate to the remediation of deficiencies, the A/I LFMC will be required to complete the remediation within the timeframe set by MAS.

Implementation Process

From 1 January 2024, MAS will stop accepting new RFMC applications. For any RFMC application that remains outstanding after 1 January 2024, MAS will continue to review these outstanding applications with a view to registering all successful applicants before the repeal date. Applicants who want to conduct fund management after 1 January 2024 should directly apply for a CMS licence for fund management, after ensuring that they are able to meet all admission and ongoing requirements.

To operationalise these proposed changes, amendments will be made to the Securities and Futures (Licensing and Conduct of Business) Regulations ("**Regulations**"). The draft amendments to the Regulations are set out at Annex 3 to the Consultation Paper.

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

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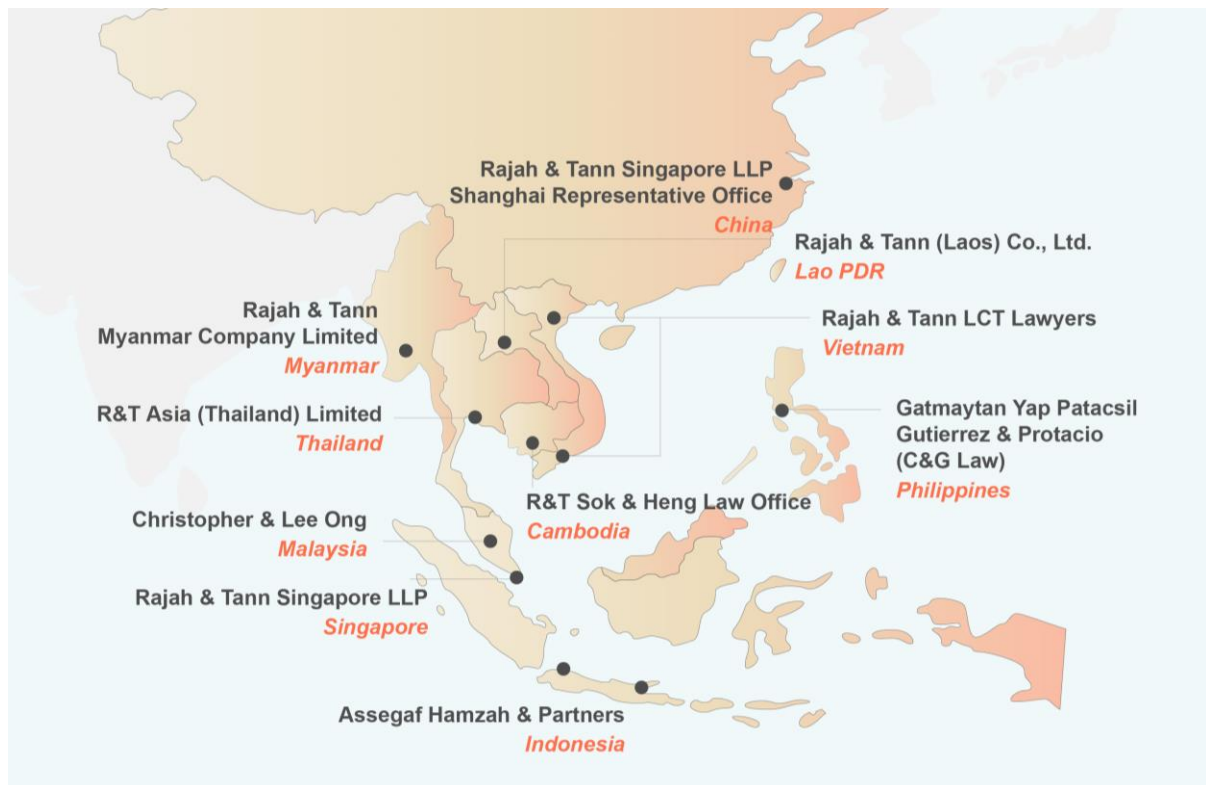
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Client Update: Singapore

2023 NOVEMBER

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