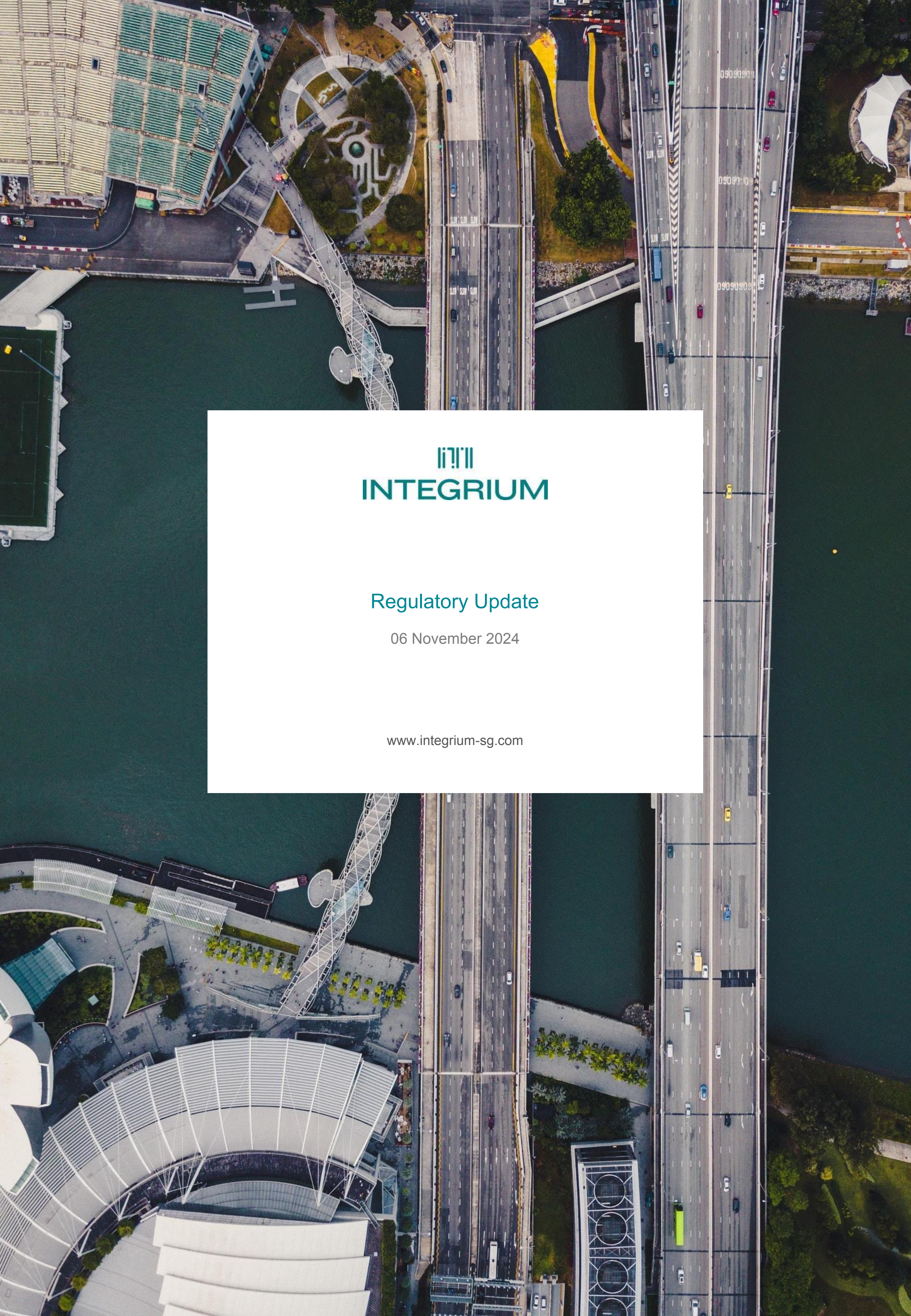

INTEGRIUM

Regulatory Update

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PROPOSED FRAMEWORK FOR SINGLE FAMILY OFFICES ("SFOs")

06 November 2024

INTRODUCTION

A SFO typically refers to an entity dedicated to managing the wealth of a single family and is fully owned or controlled by its members. Beyond investment management, SFOs often oversee non-financial matters such as philanthropic activities and the family's other affairs.

This regulatory update focuses on the Monetary Authority of Singapore's ("**MAS**") proposed framework for SFOs operating in Singapore, including the qualifying criteria for class exemptions from licensing under the Securities and Futures Act ("**SFA**"). MAS has also proposed requirements for MAS notification and annual reporting for SFOs.

KEY PROPOSED MEASURES UNDER THE FRAMEWORK

Qualifying Criteria

For an SFO to conduct fund management in Singapore under the class exemption, the SFO must be able to meet four key criteria (collectively, "**Qualifying Criteria**").

a) For the benefit of Family Members

- **Family Members** – "Family members" is proposed to be defined as lineal descendants of a common ancestor, whether living or deceased. Current and former spouses, adopted children, and current and former stepchildren are included in this definition. This would include any family trusts and corporations that are wholly owned by, and for the sole benefit of, the family.

- **Common Ancestor** – The family may define its members by reference to the lineal kinship to a designated common ancestor, but it should not be too remote. MAS will impose a generational limit for SFOs in Singapore. The common ancestor must be within five generations of the youngest generation establishing the SFO, with all family members within these generations eligible for services. Future generations can also be included. The definition of family members will include parents-in-law, siblings-in-law, legally adopted children, and stepchildren of the common ancestor, accommodating most multi-generational SFOs in Singapore.

- **Charitable Organisation(s)** – Family trusts and foundations managed by the SFO may want to name charitable organisations as beneficiaries. This will be allowed as long as the charitable organisations do not control the trust or foundation's assets and are simply designated to receive benefits. The charitable organisations can include those not solely funded by the family, as long as the SFO is not managing the charitable organisation's assets. Under the class exemption, SFOs are not subject to licensing and business conduct requirements aimed at protecting third-party customers. Permitting SFOs to manage funds for charitable organisations receiving third-party donations would contradict this rationale. Therefore, MAS will maintain its stance that SFOs may only manage funds for charitable organisations exclusively funded by the family.

- **Key Employees** – SFOs may allow certain employees to invest alongside the family to align economic interests. Executive directors, chief executive officers ("**CEO**"), chief financial officers ("**CFO**"), and investment professionals are considered financially sophisticated and capable of assessing investment risks. The MAS will expand the definition of key employee to include these roles and impose a 10% limit on the proportion of assets under management ("**AUM**") that can be managed on behalf of non-family key employees. To foster performance and commitment, an SFO may offer key employees share options, allowing them to hold up to a 10% non-controlling stake while ensuring the family retains majority ownership. Departing key employees will be granted a one-year grace period to divest their investments managed by the SFO.

b) Incorporated in Singapore

- The SFO must be incorporated in Singapore, so that the SFO will be subject to beneficial ownership disclosure requirements under Singapore law. SFOs may operate under diverse ownership structures. The proposed class exemption is intended to be structure agnostic, allowing SFOs to be established through trust, foundations, or other structures, provided the funding for these structures originates exclusively from the family. For instance, if an SFO is established through a family trust or foundation, the settlor or founder must be a family member. Regardless of the structure, an SFO remains eligible for exemption as long as it manages assets sourced exclusively from the same family organisations' assets.

c) Business Relations with MAS-Regulated Bank

- The SFO must establish and maintain business relations with at least one MAS-regulated financial institution, so that the SFO will be subject to anti-money laundering and countering the financing of terrorism ("**AML/CFT**") checks. Therefore, the SFOs (and its fund vehicles ("**FV**")) must open and maintain an account with at least one MAS-regulated Bank. Most SFOs and their FVs in Singapore already have such accounts. This requirement subjects all SFOs operating in Singapore to beneficial ownership regulations for Singapore-incorporated companies under the Accounting and Corporate Regulatory Authority ("**ACRA**") and AML/CFT checks by the MAS-regulated Bank. For foreign-incorporated FVs, accounts must be maintained with either an MAS-regulated bank in Singapore or a bank in a jurisdiction adhering to Financial Action Task Force ("**FATF**") compliant AML/CFT standards.

d) Local Representative

- The SFO will be required to have at all times an employee who is a resident in Singapore and serves as a point of contact between the SFO and MAS.

NOTIFICATION AND ANNUAL REPORTING REQUIREMENTS

Notification

New SFOs will be required to notify the MAS and confirm their ability to comply with the qualifying criteria within 14 days of commencing their operations in Singapore. SFOs will be requested to include in their notification key details, along with a signed declaration from all family members who own the SFO ("**Ultimate Owners**"), the CEO, and directors. This declaration should confirm to MAS that they are not involved in any civil proceedings initiated by governmental or regulatory agencies, nor have they been convicted of offenses related to ML/TF.

As part of the notification, SFOs must obtain a legal opinion supporting their exemption qualification. The legal opinions must be provided exclusively by Singapore-based law firms. SFOs that applied for tax incentive under Section 13O or Section 13U of the Income Tax Act, and previously furnished a legal opinion to the MAS as part of their applications, will need to obtain a new legal opinion with reference to the class exemption. This is necessary as there are additional exemption criteria imposed on SFOs under the new framework.

Annual Reporting

SFOs will be required to submit to the MAS an annual return ("**AR**") within four months of the SFO's financial year end to report:

a) total AUM; and

b) name(s) of all the MAS-regulated bank(s) with whom they have established and maintained business relations with as at the end of the calendar year.

IMPLEMENTATION TIMELINE

The MAS will provide further details on the implementation date, revised legislation, and submission procedures for the initial notification and AR before the framework takes effect. MAS will issue a system-generated acknowledgment to SFOs upon the successful submission of their exemption notification.

Transition Period

The MAS will extend the transitional period for the SFO framework to one year from its effective date. The current licensing exemption relied upon by SFOs will be withdrawn either when the initial notification is filed with the MAS or at the end of the one-year transitional period, whichever is earlier. SFOs that have filed the notification with MAS will be allowed to continue operating in Singapore.

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