



INTEGRUM

Regulatory Update

24 October 2023

www.integrum-sg.com

CONSULTATION PAPER ON REPEAL OF REGULATORY REGIME FOR REGISTERED FUND MANAGEMENT COMPANIES

24 October 2023

INTRODUCTION

The Monetary Authority of Singapore (“**MAS**”) has recently released a consultation document outlining its intention to repeal the Registered Fund Management Company (“**RFMC**”) framework. RFMCs are a category of fund management firms that face less rigorous reporting obligations and regulatory requirements in comparison to Licensed Fund Managers (“**LFMC**”). The primary distinction between RFMCs and LFMCs, is that RFMCs also have restrictions on the number of clients they can manage and the total assets they can oversee. The MAS aims to do away with the RFMC framework and standardise the applicable requirements for all fund managers.

Under the MAS's proposed changes, existing RFMCs will need to submit a specified application form within a designated timeframe. Successful applicants will then receive a capital markets services license for fund management. The current asset under management (AUM) limit of S\$250 million will continue to be in effect as a license condition for these transitioned RFMCs, though they can engage with the MAS to review and potentially remove this restriction in the future. Transitioned RFMCs will be subject to the same regulatory requirements that currently apply to licensed fund managers. To minimise the number of transitional applications to be processed once the changes are implemented, the MAS will cease accepting new RFMC applications starting from 1 January 2024.

This publication is provided by Integrium for educational and informational purposes only and is not intended and should not be construed as providing legal or other advice.

ONGOING REQUIREMENTS

Below we present a summary chart of the implications of the repeal of RFMC regime as proposed in the consultation paper, immediately before and after the implementation date.

	Before (RFMC Status)	After (AI/II LFMC Status)
Financial requirements		
Base capital requirements	S\$250,000	
Risk-based capital requirement	Not applicable	Financial resources at least 120% of total risk requirement
Reporting frequency for financial returns	Annual	Quarterly
Staffing and ownership		
Minimum number of directors, representatives, and relevant professionals	2 directors (at least one with an executive role), 2 representatives and 2 relevant professionals	
Competency of CEO, directors, and relevant professionals	At least 5 years of relevant experience, including managerial experience for CEO and directors	
Appointment of CEO, directors and representatives, and changes in controllers	Ex-post notification	Ex-ante approval required
Business conduct and audit requirements		
Risk management, internal controls, and mitigation of conflicts of interest	Adequate and effective arrangements required at all times	
Compliance and internal audit	Adequate and effective arrangements required at all times, commensurate with nature and scale of activities	
Custody and valuation of assets	Required to be conducted independently	
External audit	Annual independent audit required	
Fees		
Application fee	None	S\$1,000 plus S\$200 per representative
Annual fee	S\$1,000	S\$4,000 plus S\$200 per representative

TRANSITIONAL ARRANGEMENTS

The MAS will provide additional guidance regarding the application process, including details about the schedule and submission method for the Form, in the near future. RFMCs that have been actively engaged in fund management activities for at least six months leading up to the date for the form submission, and adhere to the specified timeline, will be eligible to receive a CMS license from the MAS. The MAS will respond to all RFMC applications within one month of submission. RFMCs that fail to submit their applications within the prescribed timeframe will be deemed to have chosen to discontinue their fund management activities upon the repeal of the RFMC regime.

Following the application, the MAS will guide them in the subsequent months for conversion to the LFMC. Upon becoming an LFMC, companies may seek compliance support from an independent third party, a dedicated compliance team at their holding company, or at an affiliated overseas entity to fulfill their compliance obligations. Until the MAS finalises the response, including revised forms and submission channels, RFMCs are to continue their operations as usual.

For companies planning to apply for a new RFMC license, it is recommended to do so before the end of 2023. RFMCs currently in operation should consider the additional regulatory/compliance costs of taking on a CMS license. Until further guidance is issued, it would be prudent for all RFMC to consider the potential necessity of transitioning to a LFMC in the intermediate future.

Contacts

Mark Jacobsen
Founder
Integrium

[E mark@integrium-sg.com](mailto:mark@integrium-sg.com)

Dewansh Raheja
Manager
Integrium

[E dewansh.raheja@integrium-sg.com](mailto:dewansh.raheja@integrium-sg.com)

Integrium Pte. Ltd.
63 Chulia Street
#15-01
Singapore 049514
www.integrium-sg.com