



INTEGRUM

Regulatory Update

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TRANSITIONING FROM RFMC TO A/I LFMC: PROPOSED ARRANGEMENTS

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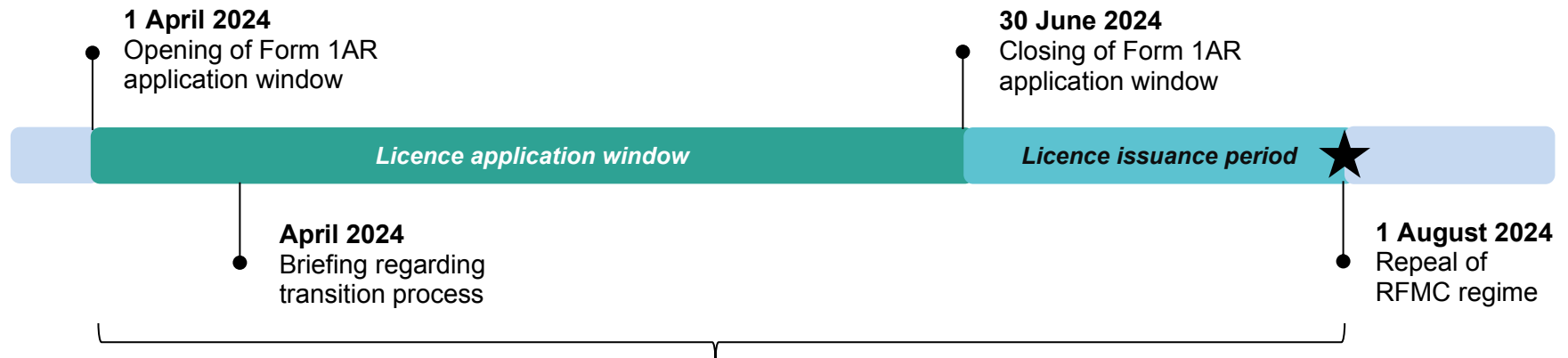
INTRODUCTION

The Monetary Authority of Singapore (“**MAS**”) has issued its response to the 2023 consultation paper and has outlined its proposed transitional arrangements for existing Registered Fund Management Company (“**RFMC**”) that intend to continue operating fund management businesses following the repeal of the regulatory regime for RFMCs. The proposed procedure for transitioning from the current RFMC status to Licensed Fund Management Company (“**LFMCs**”) status catering exclusively to accredited and institutional (“**A/I LFMCs**”) requires submitting an application form (“**Form 1AR**”). This form mandates RFMCs to furnish details regarding their managed assets and affirm their capability to adhere to the regulatory requirements of A/I LFMCs. This regulatory update provides an overview of the suggested transitional arrangement.

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TIMELINE LEADING TO REPEAL OF RFMC REGIME

MAS targets to repeal the **RFMC regime on 1 August 2024**. Existing RFMCs intending to continue with regulated fund management activity after this date must apply to be an A/I LFMC by completing and submitting **Form 1AR between 1 April 2024 and 30 June 2024**. Below illustrates the sequence of events leading to the repeal.



- MAS will respond to applicants within one month of submission of Form 1AR.
- Successful applicants will be granted licenses progressively in July 2024.

KEY FACTORS IN ASSESSING FORM 1AR

MAS will approve an RFMC's application to be an A/I LFMC if the RFMC:

- a) has managed assets attributable to third-party investors in the six months immediately preceding the submission of the form to MAS. (This requirement does not apply if the RFMC is registered for six months or less as at the submission date);
- b) submits [Form 1AR](#) within the stipulated timeline; and
- c) satisfactorily furnishes supporting documents to MAS, if requested.

AUM REQUIREMENTS

MAS will continue to impose AUM Cap (a limit of S\$250 million of managed assets) on applicants seeking to become A/I LFMCs via Form 1AR. Under normal course, if the licensee becomes aware that the total value of the managed asset is likely to exceed \$250 million, it shall immediately notify the MAS and cease any increase in positions, and not accept assets for fund management, until such time as advised by the MAS.

MAS will perform the review if an RFMC requests a lifting of the AUM Cap post-licensing. In due course, MAS plans to publish the application form for A/I LFMCs to apply to MAS to lift the AUM Cap. This is contingent upon assessment of various factors by the MAS such as regulatory compliance record, internal controls, risk management and compliance arrangements, stability of board of directors, chief executive officer, senior management, changes in business model, etc.

COMMUNICATION WITH INVESTORS

RFMCs are advised to consider if it would be in their investors' interest to be notified of the RFMC's intentions ahead of the repeal of the regime. Generally, FMCs which intend to cease their fund management business should ensure an orderly winding down of their business operations. This includes:

- a) putting in place communication plans to ensure sufficient notice period has been given to its customers, business partners and other relevant stakeholders regarding its cessation; and
- b) discharging all customer obligations and ensuring that customer assets and/or moneys have been accounted for and returned to customers before it ceases.

The above also applies to RFMCs which do not apply for or obtain CMS licences when the repeal takes effect.

UNSUCCESSFUL APPLICATIONS

As specified in paragraph 5(2)(bb)(iii) of the Second Schedule to the Securities and Futures (Licensing and Conduct of Business) Regulations, RFMCs that have not engaged in fund management activities for a continuous period of six months will lose their registration status. In accordance with the existing procedure for the cessation of an RFMC's registration, there will be no appeal process available for these entities.

Contacts

Mark Jacobsen
Founder
Integrium

E mark@integrium-sg.com

Dewansh Raheja
Manager
Integrium

E dewansh.raheja@integrium-sg.com

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