Key Changes to MAS Guidelines on Licensing and Conduct of Business for Fund Management Companies

Nithi Genesan March 7, 2025

The Monetary Authority of Singapore (MAS) has updated its Guidelines on Licensing and Conduct of Business for Fund Management Companies (FMCs).

This update includes new directives, specification from the Authority and the removal of reference to Registered Fund Management Companies since the repeal of regulatory regime on 1 August 2024.

The revised guidelines outline the criteria for licensing, including requirements relating to substantive fund management activity, competency and past experiences of key individuals' compliance arrangements. The guidelines also set out the ongoing business conduct requirements for FMCs, including ways to mitigate conflicts of interest and minimum staffing and competency requirements.

Summary of key changes:

Further clarification is provided on substantive fund management activities:

A company will not qualify for a fund management licence if it ultimately invests in assets that are not capital markets products (non-CMPs[1]). Persons investing in non-CMPs on behalf of accredited and/or institutional investors may assess if they can rely on licensing exemptions under the Second Schedule of the Securities and Futures (Licensing and Conduct of Business) Regulations.

Guidance on competency requirements for key individuals:

- FMCs, CEOs, and directors must have portfolio management experience in the asset classes or markets that the FMC intends to invest in. Experience in marketing, client servicing, or advisory roles may be considered relevant but is not sufficient on its own.
- where an individual's past experience in investment management was gained at unregulated entities, the FMC must be prepared to substantiate the individual's experience.
- an individual with multiple short periods of experience, or experience gained over 10 years ago, may not be considered for the purpose of relevant experience.

[1] Capital markets products are defined under section 2(1) of the SFA to include securities, units in a collective investment scheme, derivatives contracts, spot foreign exchange contracts for the purposes of leveraged foreign exchange trading, and such other products as MAS may prescribe.

External involvements of key individuals:

The guidelines emphasise that the CEOs and Executive Directors are expected to prioritise the management of the FMC's business and may be required to divest outside business interests if they are unable to effectively mitigate any conflicts of interest (actual or perceived) or reputational risks to the FMC.

Anchoring of key individuals:

For FMCs not part of established business groups and owned by individual shareholders, the CEO and executive directors are expected to collectively hold and maintain a controlling stake (over 50% effective voting interest) to ensure effective control over the FMC's operations. FMCs should minimise the shareholding held by passive shareholders (whether direct, intermediate or ultimate) who are not involved in the management of the FMC's business, and/or lack relevant experience in fund management.

Digital asset disclosures:

FMCs involved in digital asset investments must disclose specific risks associated with such assets, including price volatility and liquidity risks. They are also required to outline custody arrangements and ensure independent valuation of digital assets to maintain transparency.

Segregation of duties:

As part of good internal controls and to ensure proper segregation of duties, individuals responsible for, or involved in, control functions, as well as middle or back-office functions such as risk management, compliance, operations, and finance, should not be appointed as representatives of the FMC.

Mitigating conflicts of interest

In Appendix 5, the Guidelines provide examples of conflicts of interest that may arise and sets out good practices for mitigating such conflicts. Though these are not meant to be exhaustive nor prescriptive, the FMC may tailor these practices to suit its business model, structure and/or the funds that it manages, or explore alternative methods of mitigating such conflicts beyond the examples.

An FMC is expected to manage conflicts of interest in a manner that prioritises the best interests of its customers, in the course of its business. This includes establishing a mechanism to identify potential conflicts of interest and ensuring that the measures implemented effectively mitigate these conflicts on an ongoing basis.

MAS places emphasis on developing policies in order to address conflicts of interest. The COI policy should undergo an independent review and be approved by an appropriate level of authority, such as senior management, the board of directors, a relevant committee, or at the group level. Additionally, the assessment of conflicts and the mitigating measures taken should be documented and made available to the Authority upon request.

VCFM regime:

The Authority has also revised the write-up on requirements for venture capital fund managers (VCFMs).

Under the regime, a VCFM may only manage funds that meet the following criteria:

- No more than 20% of each fund's committed capital (excluding fees and expenses) can be invested in unlisted business ventures that have been incorporated for more than ten years at the time of the initial investment, and/or the investment is made through acquisitions from other investors in the secondary market (i.e. "non-qualifying investments").

- Other than non-qualifying investments of no more than 20% of each fund's committed capital, any investments from the remaining committed capital (excluding fees and expenses) must be in specified products that are directly issued by unlisted business ventures that have been incorporated for no more than ten years at the time of initial investment ("qualifying investments"). Any follow-on investment in such qualifying investments will remain as qualifying, even if the portfolio company no longer meets the under-10-year vintage at the point of the follow-on investment.

The remaining criteria remains the same.

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