

---

First published in the *Government Gazette*, Electronic Edition, on 6th August 2012 at 5.00 pm.

---

**No. S 385**

**SECURITIES AND FUTURES ACT  
(CHAPTER 289)**

**SECURITIES AND FUTURES  
(LICENSING AND CONDUCT OF BUSINESS)  
(AMENDMENT NO. 2) REGULATIONS 2012**

In exercise of the powers conferred by sections 84, 96, 97, 99, 99A, 100, 104, 123 and 341 of the Securities and Futures Act, the Monetary Authority of Singapore hereby makes the following Regulations:

**Citation and commencement**

**1.**—(1) These Regulations may be cited as the Securities and Futures (Licensing and Conduct of Business) (Amendment No. 2) Regulations 2012 and shall, with the exception of regulations 4 and 14, come into operation on 7th August 2012.

(2) Regulations 4 and 14 shall come into operation on 1st April 2013.

**Amendment of regulation 2**

**2.** Regulation 2 of the Securities and Futures (Licensing and Conduct of Business) Regulations (Rg 10) (referred to in these Regulations as the principal Regulations) is amended by inserting, immediately after the definition of “quarter”, the following definition:

“ “Registered Fund Management Company” means a corporation which is exempted from holding a capital markets services licence under paragraph 5(1)(i) of the Second Schedule;”.

**Amendment of regulation 3**

**3.** Regulation 3(1) of the principal Regulations is amended by deleting the words “ “Regulations and Licensing” ” and substituting the words “ “Regulations and Financial Stability”, “Regulations, Guidance and Licensing”, “Securities, Futures and Fund Management” ”.

---

**Amendment of regulation 6**

4. Regulation 6 of the principal Regulations is amended by inserting, immediately after paragraph (4), the following paragraph:

“(4A) For the purposes of section 99A(4) of the Act, where the annual fee referred to in paragraph 5(7) of the Second Schedule or item 9 of the Third Schedule is not paid, a late payment fee of \$100 for every day or part thereof that the payment is late, subject to a maximum of \$3,000, shall also be payable.”.

**Amendment of regulation 6A**

5. Regulation 6A of the principal Regulations is amended —

- (a) by inserting, immediately after the words “capital markets services licence”, the words “for any regulated activity other than fund management”; and
- (b) by renumbering the regulation as paragraph (1) of that regulation, and by inserting immediately thereafter the following paragraph:

“(2) An application for the grant of a capital markets services licence for the regulated activity of fund management shall be in Form 1A and shall be lodged with the Authority together with any relevant annex and information as may be specified in the Form or by the Authority from time to time.”.

**Amendment of regulation 13**

6. Regulation 13 of the principal Regulations is amended —

- (a) by deleting the word “and” at the end of paragraph (d); and
- (b) by deleting the full-stop at the end of paragraph (e) and substituting the word “; and”, and by inserting immediately thereafter the following paragraph:

“(f) ensured effective controls and segregation of duties to mitigate potential conflicts of interest that may arise from the operations of the holder.”.

---

**New regulations 13A and 13B**

7. The principal Regulations are amended by inserting, immediately after regulation 13, the following regulations:

**“Duties of holder of capital markets services licence for regulated activity of fund management**

**13A.**—(1) The holder of a capital markets services licence for fund management shall —

- (a) put in place a risk management framework that identifies, addresses and monitors the risks associated with assets under its management which is appropriate to the nature, scale and complexity of the assets;
- (b) subject assets under its management to independent valuation for the purpose of determining their respective net asset values, and ensure that a party independent of the holder conveys such values to the customers to which the assets relate or, if the assets are in the form of units in a closed-end fund or collective investment scheme, to the unitholders of the fund or scheme;
- (c) segregate assets under its management, other than assets which are already subject to regulation 17 or 27 (as the case may be), from the proprietary assets of the holder or the holder’s related corporations or connected persons, and maintain them in —
  - (i) a trust account with any financial institution referred to in regulation 17(1)(a) to (c), or with a custodian outside Singapore which is licensed, registered or authorised to conduct banking business in the country or territory where the account is maintained; or
  - (ii) a custody account with any financial institution or other person referred to in regulation 27(1)(a) to (f) or with a custodian outside Singapore which is licensed, registered or authorised to act as a custodian in the country or territory where the account is maintained;
- (d) accord priority to transactions for the purchase or sale of securities or futures contracts, or to investments made,

---

on behalf of its customers, over those made for any of the following persons:

- (i) the holder;
  - (ii) the holder's associated persons;
  - (iii) the holder's officers;
  - (iv) the holder's employees;
  - (v) the holder's representatives;
  - (vi) any person whom the holder knows to be an associated person of any person referred to in sub-paragraph (iii), (iv) or (v); and
- (e) mitigate conflicts of interest arising from the management of assets and where appropriate, disclose such conflicts of interest to the customer concerned.

(2) In paragraph (1)(d), a transaction made for any person referred to in sub-paragraphs (i) to (vi) of that provision excludes one for the purchase or sale of securities or futures contracts which are, or are to be, beneficially owned by a person that is not any of the persons referred to in sub-paragraphs (i) to (vi) of that provision.

(3) In paragraph (1)(d), a person is an associated person of another person if the first-mentioned person is —

- (a) a related corporation of the second-mentioned person;
- (b) a connected person of the second-mentioned person;
- (c) a person who is accustomed or is under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the second-mentioned person in relation to a transaction or investment referred to in paragraph (1)(d); or
- (d) a corporation which is, or the directors of which are, accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the second-mentioned person in relation to a transaction or investment referred to in paragraph (1)(d).

---

(4) Paragraph (1)(c) does not apply to the following assets under the management of the holder:

- (a) securities which are not listed for quotation or quoted on a securities exchange;
- (b) interests in a closed-end fund, where —
  - (i) the closed-end fund is to be used for private equity or venture capital investments; and
  - (ii) interests in the closed-end fund are offered only to accredited investors or institutional investors or both,

and the holder has —

- (A) disclosed the fact that the assets are not maintained in a trust account or custody account in accordance with paragraph (1)(c) to the customer and obtained the customer's acknowledgement of the custody arrangement; and
- (B) arranged for an auditor to audit the assets on an annual basis and furnish a report on the audit to the customer.

(5) For the purposes of this regulation, assets are under the management of the holder of a licence if they are the subject of fund management carried out directly by the holder, or indirectly by the holder through another entity.

**Criteria for determining if chief executive officer or director of holder of capital markets services licence for fund management has breached duties**

**13B.** For the purposes of section 97(2) of the Act and without prejudice to any other matter that the Authority may consider relevant, the Authority shall also, in determining whether a chief executive officer or a director of the holder of a capital markets services licence for fund management has failed to discharge the duties or functions of his office, have regard to whether the chief executive officer or director has ensured compliance by the holder with each of the duties specified in regulation 13A.”.