

Setting up fund management business in Singapore

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Singapore has ranked in the top five for “ease of doing business” in the past decade consistently.

The common law legal system, the open architecture for businesses, fair regulations, availability of growing talent pool, multi-currency businesses along with a stable and fair legal system, all of these are key ingredients to a healthy financial services ecosystem that allows for import and export of capital, thus being a wealth and asset management hub of the Asia Pacific.

The asset and wealth management business in Singapore is regulated by the Monetary Authority of Singapore (MAS) that is also the Central bank and policy maker for the city-state’s financial services industry. As its mandate of promoting the financial services industry in addition to regulating it, the MAS has abundance of incentives in its arsenal, and we have witnessed a significant uptake in the asset management businesses in the last decade.

Throughout this publication, we will answer initial questions for set up of asset management business in Singapore.

How does one set up a business and what forms of legal entities are available to be constituted as an asset management business in Singapore?

As with any common law jurisprudence, Singapore allows for businesses in ‘sole-proprietorship’, ‘limited partnership’, ‘limited liability partnership’ and ‘corporations’. One can also register a foreign business as a ‘branch’. It takes two to obtain an asset management license in Singapore, hence one needs to either incorporate a company or register their foreign branch which then registers for the asset management license. One cannot obtain a license as a sole proprietor. A limited liability partnership could be set up for the licensed activity, however, due to personal liability attachment to a regulated business for such entity form, it is seldom seen.

There are other legal entity forms in Singapore, such as Business Trusts or Trusts, however, due to their operational structure of separating the assets from the trustee (fiduciary) it is not conducive to operating businesses and more so used for investment vehicles. Similarly, the newly introduced Variable Capital Company is another legal entity form, but its utility is limited to investment vehicles only.

Does one need to be in Singapore to conduct the asset and wealth management activity?

The licensing regime of asset management in Singapore is a “substantive” one. It is imperative that the decision making is on Singapore soil and conducted by the appointed officers of the regulated entity registered with the MAS.

What is the regulatory architecture for asset and wealth management in Singapore?

The “Securities and Futures Act” (SFA) is the legislation that gives the business its regulatory status and gives operational direction for conducting asset management business in Singapore.

Of its nine types of business regulations, asset management businesses are regulated under the “Licensing of Fund Management”. There are four types of fund management business licences.

Licensed Fund Management			Registered Fund Management (RFMC)
<i>Retail (R-LFMC)</i>	<i>Accredited Investors (A/I - LFMC)</i>	<i>Venture Capital (VCFM)</i>	
Allows for fund management activity for all types of investors including the retail public.	Allows for fund management activity for sophisticated and institutional investors (without any limitation on	Allows for fund management activity to be restricted to venture capital investing only to sophisticated and institutional	Allows for fund management activity to be restricted to any type of asset class but to 30 qualified investors only or 15

assets under management, asset types and number of investors)	investors only (without any limitation on asset under management and number of investors)	investment funds and limited to assets under management up to SGD 250 Million.
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Registered Fund Management (RFMC)

An RFMC allows for fund management activity to be restricted to any type of asset class but to 30 qualified investors only or 15 investment funds and limited to assets under management up to SGD 250 million.

Learn more about each of the fund management business licences in more detail in these additional articles:

[Licensed Fund Management Company](#)

[Venture Capital Fund Management Company](#)

[Registered Fund Management Company](#)

What are the type of funds that one can manage in Singapore? Do funds need to be regulated in Singapore?

The SFA does not stipulate funds by asset classes, viz private equity, real estate, hedge funds etc. Rather the regulation defines funds by target investors, viz retail, institutional, sophisticated etc.

They are classified in three types as follows:

Authorised schemes may be offered to all investors in Singapore, including retail investors (ordinary members of the public). Since the potential reach of an authorised scheme is so wide, the MAS places stringent restrictions on authorised schemes.

Restricted schemes, meant for accredited (sophisticated) investors and institutional investors. The Restricted schemes may only be offered to “relevant persons” accredited investors; or corporations whose sole business is to hold investments, and whose entire share capital is owned by one or more individuals who are accredited investors; similarly, to trustees of trusts, whose sole purpose is to hold investments etc.

The *Exempt Schemes*, meant for certain types of funds and meant for institutional investors. A number of schemes fall under the category of exempted schemes. They are:

- Small offers – personal offers of units in a fund that raise less than S\$5 million in any 12-month period;
- Private placements – offers made to at most 50 persons within any 12-month period
- Issue or transfer for no consideration – units in a fund which are given freely, without receiving compensation (monetary or otherwise, directly or indirectly), and
- Offers made to institutional investors

To summarise, the fund management activity with the types of funds:

	R-LFMC (Retail)	A/I LFMC	VCFM	RFMC (Registered)
<i>Investor types</i>	Retail (and A/I or Institutional)	Accredited and institutional only	Accredited and institutional only	Accredited and institutional only
<i>Number of investors</i>	No restrictions	No restrictions	No restrictions	30 qualified investors or 15 funds
<i>Limitation on AUM</i>	No restrictions	No restrictions	No restrictions	Up to SGD 250 million
	Funds must meet the	No restrictions –	80% of the investments	No restrictions –

<i>Investment strategy</i>	investment eligibility requirements and diversification rules	Hedge Funds, Private Equity, Real Estate, Venture Capital etc.	in the fund must be unlisted businesses that are less than 10 years old at the time of investments	Hedge Funds, Private Equity, Real Estate, Venture Capital etc.
<i>Types of schemes</i>	Authorised (can also operate Restricted and Exempt schemes)	Restricted & Exempt schemes only	Restricted & Exempt schemes only	Restricted & Exempt schemes only
<i>Schemes regulatory status</i>	Authorised - regulated	Restricted and Exempt (unregulated)	Restricted and Exempt (unregulated)	Restricted and Exempt (unregulated)
<i>Managed Accounts</i>	Managed accounts and investment funds	Managed accounts and investment funds	Investment funds only	Managed accounts and investment funds

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- Preparation and filing of annual returns
- Maintenance of beneficial ownership registers and filings
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- Service of process

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