



Newsletter

Regulatory Updates for Fund Management Companies

Welcome to the very first newsletter of the BDO Regulatory Updates for Fund Management Companies for the year 2020. This newsletter serves as a summary of the key regulatory developments for fund management companies for the period January 2020 to June 2020.

We also highlight the key support measures by the Monetary Authority of Singapore ("MAS") to tackle the COVID 19 situation.

REGULATORY DEVELOPMENTS

From January 2020 to June 2020, the MAS has implemented a series of legislative changes, affecting the Securities and Futures Act ("SFA"), Code on Collective Investment Schemes ("CIS Code"), and various MAS Guidelines. These changes are mainly due to the establishment of the Variable Capital Companies Act 2018 ("VCC Act"), the Payment Services Act 2019 ("PSA"), and the response measures regarding COVID-19 pandemic.

Amendments Due to Variable Capital Companies Act (VCC Act):

VCC Act is an act provides for the incorporation, operation and regulation of bodies corporate to be known as variable capital companies and to provide for related matters, and to make consequential and related amendments to certain other Acts.

Securities and Futures Act ("SFA"): Amendments due to VCC Act

Status	First Issue date: 1 January 2002
	Revision date: 14 January 2020
	Effective date: 14 January 2020

- ▶ Amendment includes the introduction of Section 286(2A) which sets out the criteria of a Variable Capital Company ("VCC") or a sub-fund to be eligible under subsection (1) as an authorised collective investment scheme.
- ▶ Amendments included in the relevant sections of the SFA, i.e: Section 286: Authorised Schemes, Section 288: Revocation, Suspension or Withdrawal of Authorisation or Recognition, Section 293: Authority May Issue Directions, Section 294: Service, and Section 295: Winding Up, incorporating inclusion of VCC or sub-fund as an authorized collective investment scheme.

CONTENTS

REGULATORY DEVELOPMENTS	1
AMENDMENTS DUE TO VARIABLE CAPITAL COMPANIES ACT (VCC ACT)	1
AMENDMENTS DUE TO PAYMENT SERVICES ACT (PSA)	2
AMENDMENTS OR UPDATES DUE TO COVID-19 PANDEMIC	3
OTHER KEY AMENDMENTS	4
MAS SUPPORT MEASURES DUE TO COVID-19 PANDEMIC	5
HOW CAN BDO HELP	6

Code on Collective Investment Schemes ("CIS Code"): Amendments due to VCC Act

Status	First Issue date: 23 May 2002
	Revision date: 16 April 2020
	Effective date: 16 April 2020

The amendments are as follows:

- ▶ Describes the treatment regarding VCC and the sub-funds in the CIS Code.
- ▶ Introduces Chapter 2A: The VCC, VCC Directors and the VCC Custodian, stating the Conditions for Appointment, and Functions and Responsibilities/Operational Obligations.
- ▶ Introduces additional disclosure requirements under Chapter 5: Accounts and Reports, in particular:
 - fees paid to the VCC Directors that are incurred as an expense of the VCC; and
 - where a scheme is a sub-fund of a VCC and invests in another sub-fund of the same VCC, information on cross sub-fund investments conducted during the period under review.

Amendments Due to Payment Services Act ("PSA"):

Payment Services Act provides a framework for the regulation of payment systems and payment service providers in Singapore. It provides for regulatory certainty and consumer safeguards, while encouraging innovation and growth of payment services and FinTech.

Securities and Futures (Licensing and Conduct of Business) Regulations: Amendments due to PSA

Status	Issue date: 1 October 2002
	Effective date: 28 January 2020

- ▶ Definition of "relevant offence" was amended to include Payment Services Act 2019 and excluded the Money-changing and Remittance Businesses Act (Cap. 187) under the Second Schedule: Exemptions from sections 82(1) and 99B(1) of the Act.

A Guide to Digital Token Offerings: Amendments due to PSA

Status	Issue date: 14 November 2017
	Revision date: 26 May 2020
	Effective date: 26 May 2020

- ▶ The PSA is referred to the MAS Guide to Digital Token Offerings. A person carrying on a business of providing any service of dealing in digital payment tokens or any service of facilitating the exchange of digital payment tokens, must be licensed and will be regulated under the PS Act for Anti-Money Laundering/Combating the Financing of Terrorism ("AML/CFT") purposes only and will be required to put in place policies, procedures and controls to address its Money Laundering/Terrorist Financing ("ML/TF") risks.

Guidelines on Fit and Proper Criteria [FSG-G01]: Amendments due to PSA

Status	First Issue date: 1 July 2005
	Revision date: 28 January 2020

- ▶ Guidelines included in the definitions of "authorisation", "exempt financial institution", "institution" and "relevant person" the information concerning Payment Services Act.

Amendments or Updates Due to COVID-19 Pandemic:

The MAS has updated the following Notices and FAQ in view of the COVID-19 Pandemic:

Notice SFA 04-N09 Minimum Entry and Examination Requirements for Representatives of Holders of Capital Markets Services licence and Exempt Financial Institutions under the SFA

Status	First Issue date: 11 August 2010
	Revision date: 8 April 2020
	Effective date: 8 April 2020

- ▶ Under paragraph 52A and 52B, MAS will allow individuals to be appointed representatives and commence regulated activities, before fulfilling the Capital Markets and Financial Advisory Services ("CMFAS") exam requirements, subject to safeguards.

FAQs on Minimum Entry and Examination Requirements for Representatives of Capital Markets Services Licence Holders and Exempt Financial Institutions

Status	First Issue date: 8 October 2018
	Revision date: 8 April 2020
	Effective date: 8 April 2020

- ▶ It provides clarification and responses to frequency asked questions on the Notice SFA 04-N09, Minimum Entry and Examination Requirements for Representatives of Holders of Capital Markets Services licence and Exempt Financial Institutions under the SFA.

FAQs on Relief Measures Relating to COVID-19 Situation

Status	First Issue date: 9 April 2020
	Revision date: 27 April 2020
	Effective date: 27 April 2020

- ▶ Transitional period for the new licensing and business conduct requirements under the Securities and Futures (Amendment) Act 2017 is extended to 8 October 2021.
- ▶ Corporations and employees which were already dealing or advising on in the new over-the-counter ("OTC") derivatives contracts prior to 8 October 2018, will now have an additional year (i.e. until 8 October 2021) to submit a licensing application or notification, meet the business conduct requirements, and appoint such individuals as representatives.
- ▶ Representatives who are unable to return to Singapore are able to conduct regulated activities for Singapore customers from their overseas location on behalf of the Financial Institutions ("FI"), and vice-versa, subject to conditions.
- ▶ Alternative means of record keeping for orders and trade can be considered if the FIs face challenges or limitations in telephone recording of conversations on order instructions received by representatives who are telecommuting.

FAQs on Offers of Units in Collection Investment Schemes (including Real Estate Investment Trusts ("REITs"))

Status	First Issue date: 4 May 2020
	Revision date: 3 June 2020
	Effective date: 3 June 2020

- ▶ Fund managers are able to temporarily increase the swing factor for a fund beyond the maximum level stated in the prospectus, provided that:
 - a. the fund's constituent document and prospectus provide fund managers with the discretion to, under certain pre-defined circumstances, apply a swing factor that is beyond the maximum swing factor disclosed in the prospectus;

- b. the decision to exceed the current maximum swing factor is duly justified and is made in the best interest of all investors (i.e. both existing and new investors);
- c. the adjustment to the swing factor complies with the applicable laws and regulatory requirements imposed by the home regulators; and
- d. the fund manager notifies and clearly explains to existing and new investors that a swing factor which exceeds the limit disclosed in the fund's prospectus may be applied.

Fund managers are still required to notify MAS and existing participants at least one month before implementing any significant change, or in exceptional circumstances, as soon as practicable.

- ▶ Fund managers who intend to move Singapore-based investment advisory and/or management functions to their related companies in overseas, for temporary business continuity purposes, require the responsible person to notify the MAS and the scheme participants, and update the prospectus, as soon as practicable. The responsible person is expected to retain effective oversight over the temporary arrangements.
- ▶ Fund managers are permitted to change the settlement period of redemption requests from T+4 to T+7 as allowed under the CIS Code, provided that the fund's constituent document and prospectus provide the fund managers with the discretion to increase the settlement period under certain predefined circumstances. The settlement period, however, must be kept within the T+7 business days under Chapter 3.7(a) of the CIS Code.

Other Key Amendments:

Code on Collective Investment Schemes ("CIS Code"): Revised Definition of Soft Dollar Commissions/Arrangements

Status	First Issue date: 23 May 2020
	Revision date: 16 April 2020
	Effective date : 16 April 2020

- ▶ Redefined the definition of soft dollar commissions/arrangements as "transactions involving securities, securities-based derivatives contracts, or units in a collective investment scheme".

Securities and Futures (Reporting of Derivatives Contracts) Regulations 2013

Status	First Issue date: 31 October 2013
	Revision date: 28 April 2020
	Effective date : 28 April 2020

- ▶ In exercise of the powers conferred by Section 129, 129A, 337(1) and 341 of the SFA, the MAS has made these Regulations that come into operation on 28 April 2020. Regulation 6(4A) was amended by deleting the date "1 April 2020" and extended it to "1 April 2021". The Regulations are concerning the excluded contracts involving commodity derivatives, equity derivatives and foreign exchange derivatives contracts traded in or booked in Singapore.
- ▶ The Second Schedule was also amended, by substituting "1 October 2020" in the third and fourth columns of sections 5, 6, 7, 8, 9 and 10 with a new date "1 October 2021".

MAS Support Measures Due to COVID-19 Pandemic

To help enable financial institutions ("FIs") to better focus on issues related to COVID-19, the MAS has announced the extension of reporting timelines, suspension of on-site inspections and supervisory visits and measures to ensure sound risk management.

MAS has also issued guidance and advisories to address operational, technology and cyber risks. It will continue to monitor the impact of COVID-19 and put in place additional measures and advisories as necessary. In line with the announcement by Ministry of Health ("MOH") on Phase Two re-opening, MAS requires FIs that re-open more branches and customer service locations from 19 June 2020, must ensure that Safe Management measures are in place. FIs can increase the level of staffing required at work premises to meet resulting operational, business and customer needs, even as those who can work effectively from home should continue to do so. Branches and customer service locations that had remained closed during Phase One will progressively re-open. FIs will also be permitted to resume in-person meetings with customers on an appointment basis.

Other than that, MAS has also announced a S\$125 million support package to sustain and strengthen capabilities in the financial services and FinTech sectors. The package comprises of an enhanced support for workforce training and manpower costs to encourage financial institutions and FinTech firms to make use of the downtime in business activity to train and deepen the capabilities of their employees. The package covers:

- a. New Training Allowance Grant ("TAG"), where financial institutions regulated by the MAS can receive training allowance of S\$15 per training hour or company-sponsored training subsidy capped at 90% of the course fee for The Institute of Banking and Finance ("IBF")-accredited or recognised courses.
- b. Doubling the monthly salary grant under the Financial Associate Management Scheme ("FAMS"), enabling regulated FIs to receive salary grant of S\$2,000 per month for eligible Singapore Citizens who are fresh graduates (i.e. within 12 months after graduation), who are hired under a structured talent development programme comprises of job rotations, structured training and mentorship programme. Such FAMS applications must be submitted from 8 April 2020 for hires in Year 2020 and Year 2021. The funding amount is capped at 2 years per programme.
- c. New Digital Acceleration Grant ("DAG") to support digitalisation in smaller financial institutions and FinTech firms with no more than 200 employees. The DAG scheme includes two tracks:
 - i. Institution Project:
 - The MAS will support 80% of qualifying expenses for the adoption of digital solutions by smaller FIs and FinTech firms including hardware and software solutions, capped at S\$120,000 per entity, over the duration of the scheme, subject to certain qualifying conditions. Eligible entities can claim for expenses incurred from 1 February 2020 and the funding period is capped at 1 year per solution.
 - ii. Industry Pilot:
 - The MAS will support collaboration among at least 3 smaller financial institutions to customize digital solutions for implementation within their institutions, by co-funding 80% of qualifying expenses, capped at S\$100,000 per participating FI per project, subject to certain qualifying conditions. The funding period is capped at 2 years from implementation.

HOW CAN BDO HELP?

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- ▶ Statutory Audit for Financial Institutions
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 - Develop and implement a robust regulatory and compliance framework
 - Develop policies and procedures
 - Perform gap analysis of existing policies and procedures
 - Perform a regulatory health check on key business areas
 - Assist in license applications
 - Perform compliance outsourcing function
 - Provide training on new/revised regulations which will impact you
 - Assist in the implementation and on-going compliance with the Foreign Account Tax Compliance Act, Personal Data Protection Act and Anti-Money Laundering requirements
- ▶ Corporate Governance and Risk Management Services
- ▶ Internal Audit and Control Framework

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