

CMFAS Markets – Rules, Ethics and Skills for Fund Management (CMFAS RES 3)

Summary of Updates (December 2025 – Version 1.4)

The updates made to the CMFAS RES 3 (January 2025 – Version 1.3) are summarized as follows:

**Additions / updates / corrections are indicated in blue italics.*

Deletions are indicated in strikethrough.

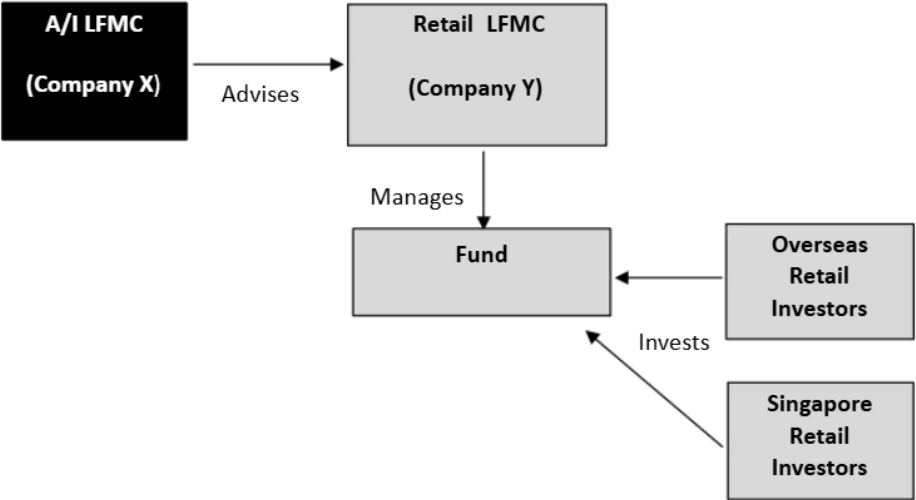
Section and page references relate to the updated study guide.

Chapter	Page No.	Update / Amendment										
Chapter 3												
3.2 Regulatory Regime for Fund Management Activities	21 -22	<p>Under the Guidelines on Licensing and Conduct of Business for Fund Management Companies (SFA 04-G05) (FMC Licensing Guidelines), a corporation that carries on business in fund management in Singapore would need to hold a CMS licence for fund management (LMFC), unless otherwise exempted under the SFA.</p> <p>Table 3.2 summarises the categories of FMCs and their permissible activities.</p> <p style="text-align: center;"><u>Table 3.2: Categories of LFMCs and Their Permissible Activities</u></p> <table border="1"> <thead> <tr> <th colspan="2">Categories</th><th>Permissible Activities</th></tr> </thead> <tbody> <tr> <td rowspan="3">LFMCs</td><td>Retail LFMCs</td><td>Carry on business in fund management with all types of investors. including retail investors (i.e. non-accredited and non-institutional investors).</td></tr> <tr> <td>Accredited/ Institutional LFMCs (A/I LFMCs)</td><td>Carry on business in fund management with qualified investors only.</td></tr> <tr> <td>Venture Capital Fund Managers ["VCFMs"]</td><td>Carry on business in fund management in respect of venture capital funds that are offered to qualified investors only. <i>Venture capital funds are subject to restrictions on investments and fund type funds¹⁵.</i></td></tr> </tbody> </table> <p>Inserted footnotes ¹⁵ <i>Refer to the fund eligibility criteria for VCFMs in Appendix 4 of the FMC Licensing Guidelines.</i></p>	Categories		Permissible Activities	LFMCs	Retail LFMCs	Carry on business in fund management with all types of investors. including retail investors (i.e. non-accredited and non-institutional investors).	Accredited/ Institutional LFMCs (A/I LFMCs)	Carry on business in fund management with qualified investors only.	Venture Capital Fund Managers ["VCFMs"]	Carry on business in fund management in respect of venture capital funds that are offered to qualified investors only. <i>Venture capital funds are subject to restrictions on investments and fund type funds¹⁵.</i>
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3.2.2 Choosing the Right Category of LFMC	23	<p>Example – How an FMC can carry on business as a A/I LFMC</p> <p>In limited partnership fund structures, the general partner will typically be an FMC, with third party investors participating as limited partners. On occasion <i>Alternatively</i>, the general partner may be a company controlled by the FMC, rather than the FMC itself, <i>or a company directly owned by the key officers and/or shareholders of the FMC</i>. In the latter <i>two</i> circumstances, so as long as the general partner is ultimately owned by the key officers and/or shareholders of the FMC, the FMC may continue to manage the fund as</p>										

Chapter	Page No.	Update / Amendment
		<p>an A/I LFCM <i>or VCFM (as the case may be)</i>, even though <i>notwithstanding that</i> the general partner does not meet the requirements of an AI or institutional investor (II).</p> <p>Inserted footnotes ¹⁸ <i>Investment professionals are persons who perform the functions of portfolio management, research or dealing, and do not include individuals solely involved in activities such as client servicing, business development, marketing or risk management. For the avoidance of doubt, individuals whose roles are limited to middle-office or back-office functions would not be considered as 'investment professionals'.</i></p> <p>Inserted footnotes ¹⁹ <i>This would refer to entities or trusts that are related to the FMC, which are in the business of fund management. An entity or trust is considered to be related to the FMC if it is (i) a subsidiary of the FMC; (ii) a holding company of the FMC; or (iii) a subsidiary of the holding company or holding entity of the FMC.</i></p>
3.2.4 Determining the Value of Assets under Management	25	<p><i>Assets under an FMC's management shall be calculated net of liabilities and means all</i></p> <p>In determining the value of the assets being managed, a FMC should take note of the following:</p> <p><i>(a) (a) Only assets in respect of which the FMC has an agreement to provide the fund management services should be included. In reporting these assets, the FMC should only include the portion that is attributable to it based on appropriate proxies such as the geographical or sectoral focus of the FMC; <i>moneys and assets contracted to</i> ²³ <i>or drawn down by</i> ²⁴ <i>the FMC, and are under the discretionary authority granted by the customer to the FMC, and in respect of which the FMC is carrying out fund management;</i></i></p> <p>Example—Calculation of Asset under Management (AUM)</p> <p>FMC A's customer has engaged FMC A to manage a pool of assets worth S\$10 million. FMC A then decides to sub-contract the fund management for S\$3 million out of the S\$10 million pool of assets to FMC B.</p> <p>FMC B should only include the S\$3 million of the assets as its AUM, whereas FMC A would have to include all S\$10 million of assets as its AUM.</p> <p><i>(b) Moneys committed by investors but not drawn down should be excluded from the FMC's managed assets. This is commonly seen in private equity funds; and <i>moneys and assets contracted to the FMC, and are under the non-discretionary authority granted by the customer to the FMC, and in respect of which the FMC is carrying out fund management;</i></i></p> <p>(c) Managed assets should be based on the net value of the assets being managed. Any leverage to which the managed assets are exposed should be excluded from the FMC's managed assets. <i>moneys and assets contracted to the FMC, but which have been sub-contracted to another party and for which the other party is carrying out fund management, whether on a discretionary authority granted by the customer or otherwise.</i></p>

Chapter	Page No.	Update / Amendment
		<p>Inserted footnote²³ <i>FMC Licensing Guidelines, footnote 5 - Assets are contracted to an FMC if they are the subject matter of a contract for fund management between the FMC and its customer.</i></p> <p>Inserted footnote²⁴ <i>FMC Licensing Guidelines, footnote 6 - Moneys committed by customers but not drawn down should be excluded from assets under the FMC's management.</i></p>
3.3.7 Internal Audit	28	<p>With the exception of VCFMs, MAS expects all <i>the</i> business activities of an <i>L</i>FMC to be subject to adequate internal audit. The internal audits arrangements should be commensurate with the scale, nature and complexity of its operations. <i>The internal audit may be conducted by the internal audit function within the FMC, an internal audit team from the head office of the FMC, or outsourced to a third-party service provider.</i></p>
3.3.9 Professional Indemnity Insurance (PII)	29	<p>MAS may impose a licence condition requiring a Retail LFCM to obtain PII that complies with minimum requirements set out in <i>Appendix 3</i> of the FMC Licensing Guidelines. <i>A/ LFCMs</i> All LFCMs are strongly encouraged to maintain adequate PII coverage. <i>LFCMs</i> <i>They</i> should disclose its <i>their</i> PII arrangements to all <i>customers, both</i> potential and existing customers, <i>their PII arrangements</i> or the absence of such arrangements.</p>
3.3.10 Letter of Responsibility from Parent Company <i>or related company</i>	29	<p><i>Where</i> If appropriate, MAS may impose conditions requiring the applicant <i>require FMCs</i> to procure a Letter of Responsibility (i.e. a commitment from the applicant's parent company that it will maintain adequate oversight over the applicant's operations, financial position, and compliance with laws, management and other relevant issues) from its <i>the FMC's</i> parent company <i>or related company.</i></p>
3.3.11 Other Factors	29	<p>When assessing applications for a CMS licence in fund management, (save for applications in respect of VCFMs) MAS may consider other factors such as:</p> <ul style="list-style-type: none"> i. Track record of the LFCM or its holding company or related corporation, (where applicable). A Retail LFCM <i>should demonstrate</i> that it or its shareholders have at least a 5-year track record of managing funds for retail investors in a jurisdiction which has a regulatory framework <i>that is comparable</i> to Singapore. <i>The FMC and its related corporations should also manage total assets of at least S\$1billion.</i> ii. Whether the LFCM, its holding company or related corporations are subject to proper supervision by a competent regulatory authority; iii. Commitment of the LFCM's holding company to the FMC's operations in Singapore; and iv. Commitment from the LFCM's shareholders, <i>as demonstrated</i> through seed investments in funds managed by the FMC.

Chapter	Page No.	Update / Amendment
3.3.13.1 Dealing in Capital Markets Products – What type of licence is required for an LFMC that intends to market funds to end investors or intermediaries, or if it acts upon client instructions in executing trades? Are there any exemptions available for these activities?	30 -31	<p><i>Licensed FMCs are expected to engage in substantive fund management activities, such as portfolio management, investment research or sub-advisory in Singapore. Such FMCs could market their funds, either directly to end investors or through fund distributors. LFMCs that engage in the marketing of funds are considered to be dealing in capital markets products that are units in a CIS under the SFA, and would correspondingly need to add to its licence the regulated activity of dealing in capital markets products that are units in a CIS to their CMS licence unless they may rely on an applicable exemption. However, FMCs are exempted from the need to hold a CMS licence for dealing in capital markets products that are units in a CIS under certain circumstances. Thees common exemptions examples include:</i></p> <ul style="list-style-type: none"> i. Where the LFMC they market funds which it that they manages, or funds that are managed by its their related corporations [paragraph 2(m) of the Second Schedule to the SFR(LCB)]. The definition of a related corporation is set out in the Companies Act 1967. Two corporations are considered related if one is a subsidiary of the other, or if both corporations are subsidiaries of a common holding company; ii. Where the FMC's marketing activity is limited to only CIS it is responsible for, which is authorised under Section 286 of the SFA, recognised under Section 287 of the SFA; or exempted under Subdivision (4) of Division 2 of Part 13 of the SFA [paragraph 2(k) of the Second Schedule to the SFR(LCB)]; and iii. where the FMC, in the course of managing customised or segregated mandates for customers (as opposed to managing collective investment funds), markets third party funds to its customers or invests customer monies into third party funds as part of the mandate. These activities would be considered incidental to its fund management business [paragraph 2(b)(i) of the Second Schedule to the SF(LCB)R]. <p>An FMC that deals in any capital markets products based on customer instructions given to the FMC on an unsolicited basis is considered to be dealing in capital markets products. For example, the FMC could operate an online platform for customers to enter their own trade orders. Such an FMC would have to add the regulated activity of dealing in capital markets products to its CMS licence.</p>
3.3.13.2 Clientele Restrictions – My Company holds a CMS licence to conduct fund management activity; we are restricted by our licence condition to manage	31	<p>There are three situations an A/I LFMC is allowed to be involved with retail funds:</p> <ul style="list-style-type: none"> 1. Where the A/I LFMC performs the role of a sub-manager or adviser to another regulated fund manager which meets the definition of an AI or II and is authorised or licensed to manage investment funds for retail investors in the jurisdiction where the funds are offered. 2. Where the A/I LFMC performs the role of an investment manager, sub-manager or advisor to a fund which another pension fund or fund of funds invests in. This other

Chapter	Page No.	Update / Amendment
<p>investment funds only for AIs or IIs (an A/I LFMC). Are there situations where we can manage or provide advice to funds offered to non-AIs and non-IIs (i.e. retail investors)?</p>		<p>pension fund or fund of funds must be managed by another fund manager and has to meet the definition of an AI or II and may have retail investors.</p> <p>3. Where the A/I LFMC wishes to manage investment funds which are authorised by a foreign regulator to be offered to retail investors in a foreign jurisdiction, the A/I LFMC may approach MAS to review the clientele restrictions on its licence. Before requesting MAS for the review, the A/I LFMC should ensure that it has obtained the requisite approval from the foreign regulator who is aware of the A/I LFMC's clientele restriction in Singapore.</p> <p><i>Notwithstanding the clientele restrictions that are imposed on an A/I LFMC, there are situations where an A/I LFMC is allowed to be involved with retail funds:</i></p> <p><i><u>Scenario A</u> – An A/I LFMC (Company X) may perform the role of a sub-manager or adviser to another regulated fund manager (Company Y) which meets the definition of an accredited or institutional investor, and is authorized or licensed to manage investment funds for retail investors in the jurisdiction where it operates. Where the fund is to be offered to retail investors in Singapore, Company Y must be licensed by the MAS to manage funds for retail investors in Singapore. In this regard, as part of the admission criteria for a CMS licence, Company Y is required to have a physical presence in Singapore. This is illustrated below:</i></p> <div data-bbox="453 1111 1458 1809"> <p><u>Scenario A</u></p> <p>A/I LFMC may act as sub-manager and adviser to a fund offered to retail investors in Singapore in the following circumstances:</p>  <pre> graph TD A["A/I LFMC (Company X)"] -- Advises --> B["Retail LFMC (Company Y)"] B -- Manages --> C["Fund"] D["Overseas Retail Investors"] -- Invests --> C E["Singapore Retail Investors"] -- Invests --> C </pre> </div> <p><i><u>Scenario B</u> – An A/I LFMC may also be the investment manager, sub-manager or adviser to a fund which another pension fund or fund-of-funds invests in. This pension fund or fund-of-funds is (a) managed by another fund manager, and (b) has to meet the definition of an accredited or institutional investor itself. There may be underlying retail investors in the pension fund or the fund-of-funds. The manager of the pension fund or the fund-of-</i></p>

Chapter	Page No.	Update / Amendment
		<p><i>funds, and the fund offer may be in Singapore or overseas. This is illustrated in the following diagram:</i></p> <p>Scenario B</p> <pre> graph LR A[I LPMC] -- "Manages or advises" --> Fund FM[Fund Manager] -- "Manages" --> PFF[Pension Fund / Fund-of-funds] PFF -- "Invests" --> Fund RI[Retail Investors] -- "Invests" --> PFF </pre> <p><i>Scenario C – Where an A/I LPMC wishes to manage investment funds which are authorised by a foreign regulator to be offered to retail investors in a foreign jurisdiction, the A/I LPMC can approach MAS to review the clientele restrictions on its licence.</i></p> <p><i>Before requesting MAS for the review, the A/I LPMC should ensure that it has obtained the requisite approval from the foreign regulator who is aware of the A/I LPMC's clientele restriction in Singapore. In reviewing the request, MAS considers various factors including the ability of the A/I LPMC to adequately serve the needs of its existing accredited and institutional investors. Each case will be considered on its own merits.</i></p> <p>Other than the three situations above, if an A/I LPMC wishes to manage funds offered to retail investors in Singapore, it may approach MAS to request a review of its licence condition. However, it should satisfy itself that it has met the admission criteria for a retail FMC; these are set out in the FMC Licensing Guidelines. In this instance, the A/I LPMC should also have or have plans to invest in resources and systems to handle retail investment funds.</p> <p>In assessing whether an A/I LPMC is ready to manage funds for retail investors, MAS considers various factors including the ability and willingness of the A/I LPMC to commit resources to handle retail funds, the quality of governance and controls implemented by the A/I LPMC, as well as the adequacy of its compliance and audit arrangements. The A/I LPMC should consult MAS early on its plans.</p>
3.3.13.6 <i>Controlling Stake Held By FMC's Management Team – Where an FMC is not part of an established business group, would MAS consider</i>	32	<p><i>An FMC may propose alternative measures for MAS' consideration on a case-by-case basis. In its proposal, the FMC should elaborate on how its proposed measures would help stabilise the FMC's management team and support the alignment of interests of the management team with that of third-party investors. The proposal should also reinforce the management team's ability to exercise effective control over the FMC's operations, for which they are accountable.</i></p>

Chapter	Page No.	Update / Amendment
<i>alternative measures in lieu of having the management team (i.e. the CEO and Executive Directors) collectively hold a controlling stake in the FMC?</i>		