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MAS Targets to Repeal RFMC Regime on 1 August 2024, Shares Implementation and Transitional Arrangements

Introduction

On 28 March 2024, the Monetary Authority of Singapore ("**MAS**") issued its Response to feedback received on the Consultation Paper on the Repeal of Regulatory Regime for Registered Fund Management Companies ("**Response**") covering the following:

- (a) Its intention to repeal the regulatory regime for Registered Fund Management Companies ("**RFMCs**") on **1 August 2024**. Existing RFMCs intending to continue with regulated fund management activity after the date of the repeal must apply to become licensed fund management companies that are restricted to serving accredited or institutional investors ("**A/I LFMCs**").
- (b) The implementation and transitional arrangements, such as application to be an A/I LFMC, the continuity of operations during applications and applicable requirements.

The earlier consultation exercise was conducted from 24 October 2023 to 31 December 2023. You may read more about it in our earlier Legal Update available [here](#).

This Update highlights key points RFMCs should note and action to prepare for the repeal of the RFMC regime.

Application to be A/I LFMC

- Existing RFMCs intending to continue to carry on regulated fund management activities after the date of the repeal must apply to be an A/I LFMC by completing and submitting the application form ("**Form 1AR**") between **1 April 2024 and 30 June 2024**. The latest version of Form 1AR is set out at Annex C of the Response.
- Application outcome will be notified within a month of submission. RFMCs should continue to update MAS of any changes in particulars on a timely basis, according to prevailing RFMC requirements.

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- MAS expects to issue capital markets services ("**CMS**") licences to all successful applicants by end July 2024.
- MAS expects RFMCs to notify MAS of all individuals who are existing representatives (and who intend to continue carrying on the regulated activity of fund management under the CMS licensing regime) via Form 23A prior to filing the Form 1AR. Such representatives of RFMCs will become appointed representatives on the date that the RFMC is licensed.
- Under existing legislation, RFMCs which have not conducted fund management activity for a continuous period of six months will cease to be registered as RFMCs and no longer be allowed to carry on regulated fund management activity. MAS will not be issuing CMS licences to these entities upon the repeal of the RFMC regime and there will not be an appeal process.

Not permitted to carry on fund management activities without CMS licence

- If an RFMC does not obtain its CMS licence before the repeal date, it will no longer be allowed to carry out fund management when the repeal takes effect. Unless an existing licensing exemption applies, they will be in breach of regulatory requirements if they continue to carry out any regulated activity under the Securities and Futures Act 2001.

Continuity of operations and applicable requirements

- During the application process, RFMCs can continue operating without disruptions and will be required to comply with the regulatory requirements applicable to RFMCs. These regulatory requirements include filing of notifications and annual declarations.
- Once the CMS licence is issued, the regulatory requirements for A/I LFMCs will take immediate effect. These requirements include prior approvals for changes at the A/I LFMC and quarterly regulatory filings.
- RFMCs should take steps to familiarise themselves with A/I LFMC regulatory requirements, and immediately act to enhance internal policies and processes to comply with incremental regulatory requirements (e.g. increased reporting frequency for A/I LFMCs).
- Resources available on MAS website include:
 - Compliance Toolkit for Approvals, Notifications and Other Regulatory Submissions to MAS for Fund Managers;

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- Guidelines on Licensing, Registration and Conduct of Business for Fund Management Companies; and
 - FAQs on the Licensing and Registration of Fund Management Companies.
- MAS will hold a virtual briefing in April 2024 for existing RFMCs to guide them on the transition process. All existing RFMCs would already have been invited.
 - MAS advises RFMCs to consider if it is in their investors' interest to be notified of the RFMC's intentions ahead of the repeal of the regime.
 - RFMCs which do not apply for or obtain CMS licences when the repeal takes effect should ensure an orderly winding down of their business operations.

Limit of S\$250 million of managed assets ("AUM Cap") on RFMCs that are approved to become A/I LFMCs

- The AUM Cap serves as a safeguard until MAS has assessed that the relevant A/I LFMC is ready to handle a larger pool of assets. MAS will review if such an A/I LFMC requests a lifting of the AUM Cap post-licensing. MAS will separately publish the application form for A/I LFMCs to apply to MAS to lift the AUM Cap.
- MAS will not by default, impose the AUM Cap on applicants that apply to be A/I LFMCs via the regular application process. This is one of the bases on which the applicant would have made a detailed submission and been assessed on its ability to meet the admission criteria, based on its proposed business activities and the corresponding risk management and compliance arrangements to support the business.

Our Comments

Apart from the regulatory and compliance considerations which an RFMC applying to be an A/I LFMC will have to navigate, such new A/I LFMCs should also consider updating their funds and investment documentation (if any) to take into account their new regulatory status. Our team members would be able to advise and assist RFMCs on their legal and regulatory obligations as A/I LFMCs, as well as to review and update existing fund documentation.

Further Information

If you have any queries on the above development, please feel free to contact our team members below who will be happy to assist.

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For more information, please refer to the following links (available on MAS website):

- [Consultation Paper on Repeal of Regulatory Regime for Registered Fund Management Companies](#)
- [Response to Consultation on Repeal of Regulatory Regime for Registered Fund Management Companies](#)

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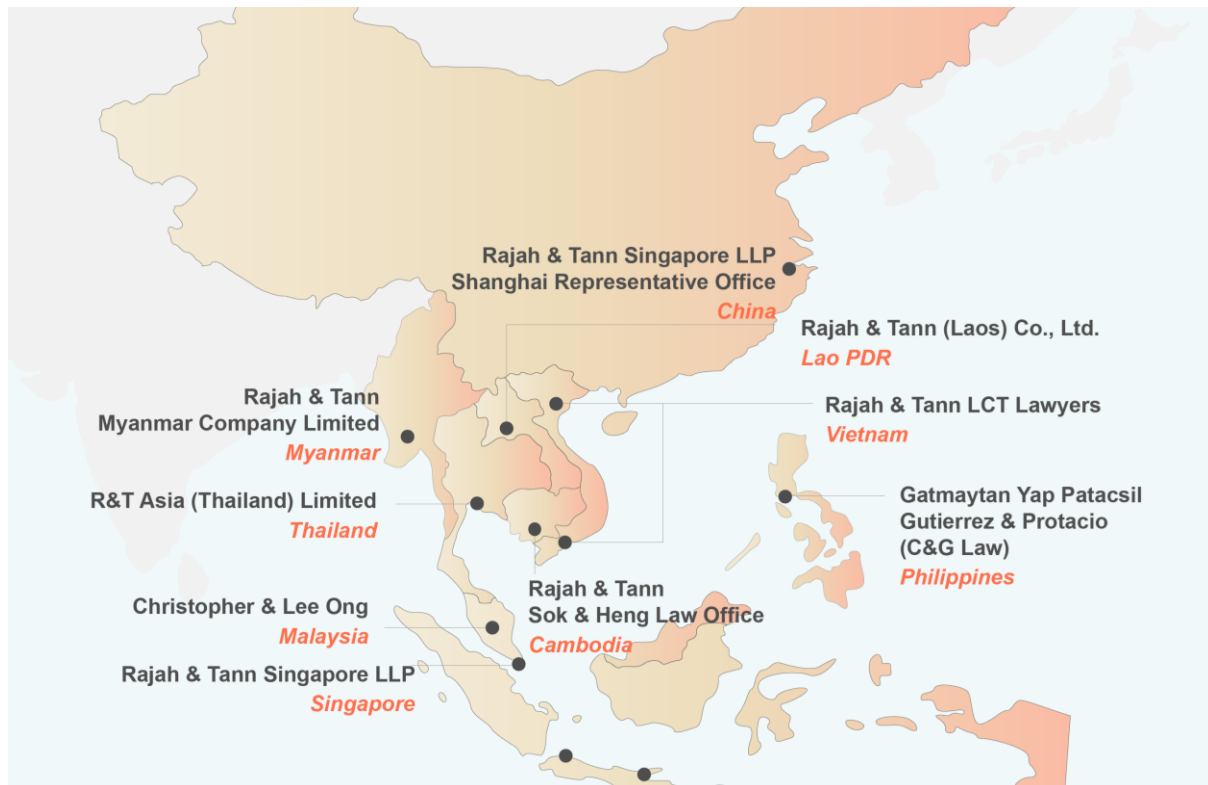
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