



Monetary Authority of Singapore

Consultation Paper

P009 – July 2023

# Consultation Paper on Proposed Framework for Single Family Offices



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# 1. Preface

- 1.1. This consultation paper sets out a proposed framework for Single Family Offices (“SFOs”) operating in Singapore, under which there will be qualifying criteria for class exemption from licensing under the Securities and Futures Act (“SFA”), as well as notification and annual reporting requirements.
- 1.2. MAS invites interested parties to provide their comments and feedback.
- 1.3. **Please note that all submissions received will be published and attributed to the respective respondent unless they expressly request MAS not to do so. As such, if respondents would like:**
  - (a) **their whole submission or part of it (but not their identity), or**
  - (b) **their identity along with their whole submission,**

**to be kept confidential, please expressly state so in the submission to MAS. MAS will only publish non-anonymous submissions. In addition, MAS reserves the right not to publish any submission received where MAS considers it not in the public interest to do so, such as where the submission appears to be libelous or offensive.**
- 1.4. Please submit your comments by 30 September 2023 using the following link - <https://go.gov.sg/sfo-framework>.
- 1.5. Should you encounter any technical difficulties in your submission, please send your enquiry to [mas\\_cp\\_sfo@mas.gov.sg](mailto:mas_cp_sfo@mas.gov.sg).



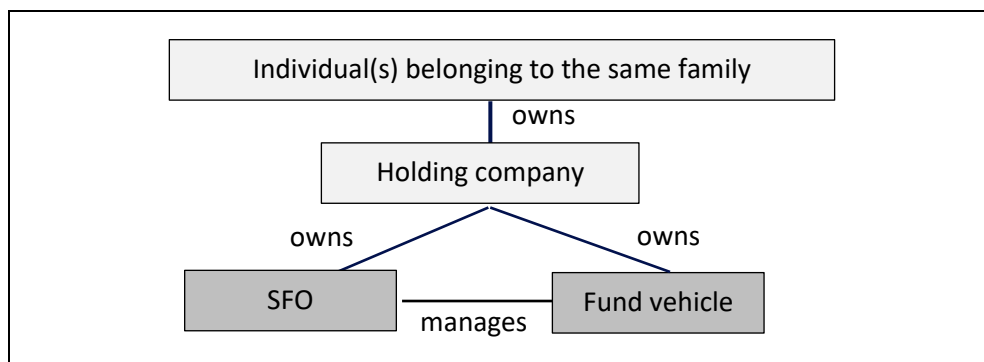
## 2. Overview of the Proposed SFO Framework

- 2.1. A SFO typically refers to an entity which manages wealth for, or on behalf of one family and is wholly owned or controlled by members of the same family. SFOs may also engage in non-investment activities such as philanthropy or managing the family's legal affairs.
- 2.2. As a trusted international financial centre in Asia, Singapore has attracted a wide range of investors, including global and regional institutional investors, as well as individual investors. SFOs are set up by some of the high-net-worth individual investors that Singapore's wealth management sector serves.
- 2.3. We have seen an increasing number of SFOs being set up in Singapore in recent years, to access investment and philanthropic opportunities in Singapore and the broader Asian region.
- 2.4. With the strong growth of SFOs in Singapore, one key risk that MAS is focused on with respect to wealth inflows to Singapore is potential money laundering ("ML"). To be clear, the ML risks posed by SFOs are similar to those of other high-net-worth or private banking individuals or entities. MAS' regulatory and supervisory focus is therefore on ensuring that our financial institutions ("FIs") address ML risks that their customers, including SFOs, may bring to Singapore.
- 2.5. MAS will take additional measures to strengthen our surveillance and defence against potential ML risks posed by SFOs. In this regard, MAS proposes to:
  - (a) harmonise the criteria for SFOs to be exempt from licensing under the SFA; and
  - (b) introduce new notification and reporting requirements to better monitor SFOs operating in Singapore.
- 2.6. Section 3 of this paper sets out the proposed class exemption for SFOs, including the qualifying criteria for exemption.
- 2.7. Section 4 of this paper sets out the initial notification and annual reporting requirements for SFOs.
- 2.8. Section 5 of this paper sets out the proposed implementation timeline of the SFO framework.

### 3. Class Exemption and Qualifying Criteria

- 3.1. SFOs do not serve any third-party customers or manage third-party monies. Therefore, they are exempt from licensing and business conduct requirements which are aimed at safeguarding the interests of third-party customers.
- 3.2. Some families utilise a common holding company to hold the SFO and the fund vehicle which is used to hold or manage the family’s assets, as illustrated in Diagram 1 below. Such SFOs are exempt from licensing under paragraph 5(1)(b) of the Second Schedule of the Securities and Futures (Licensing and Conduct of Business) Regulations, which provides an exemption (the “Paragraph 5(1)(b) Exemption”) for persons who manage the assets of their related corporations.

**Diagram 1: Class exemption where SFO is considered a related corporation of the fund vehicle**



- 3.3. However, there are SFOs with other ownership structures, or which utilise non-corporate entities to hold or manage the family’s assets and therefore do not fall neatly within the existing frame of the Paragraph 5(1)(b) Exemption. These SFOs typically seek case-by-case licensing exemption under the SFA. A common example is where the SFO and the fund vehicle are both owned directly by one or more natural persons rather than through a corporate entity or common holding company. Under such a structure, the SFO is not considered a “related corporation” (as defined under the Companies Act) of the fund vehicle.
- 3.4. In line with our policy intent to not to subject entities that do not manage third-party assets to licensing requirements, MAS proposes to introduce a structure agnostic class exemption<sup>1</sup> for SFOs, which will remove the need for case-by-case licensing exemptions. Consistent with the current exemption regime

<sup>1</sup> Notwithstanding the proposed SFO framework and class exemption, MAS does not endorse any SFO’s set-up in Singapore. SFOs must not represent that they have any regulatory status in Singapore. MAS will be amending Notice SFA 04-N07 Prohibited Representations Made by Exempt Persons Under the 2nd Schedule to the Securities & Futures (Licensing & Conduct of Business) Regulations to reflect this.



for SFOs, this proposed class exemption does not mean that MAS is regulating or endorsing the exempted SFOs.

3.5. To operate in Singapore under the proposed class exemption, the SFO must meet the following criteria:

- (a) wholly owned (whether by directly or indirectly) by members of the same family;
- (b) fund management must be conducted for or on behalf of:
  - (i) family members, including family trusts and corporations wholly owned by and for the sole benefit of the family;
  - (ii) charitable organisation(s) funded exclusively by the family,

save that it may also conduct fund management for or on behalf of key employees (which refer to the chief executive officer and executive directors of the SFO);

- (c) incorporation in Singapore; and
- (d) establishes and maintains business relations with at least one of the MAS-regulated FIs listed in Annex 1.

The SFO must obtain a legal opinion that it satisfies paragraph 3.5(a) and (b) of the class exemption criteria, and will be required to confirm that it has obtained this in its notification to MAS. The SFO must also have at all times an employee who is resident in Singapore as the designated point of contact between the SFO and MAS.

3.6. MAS intends to define family members as lineal descendants of a common ancestor (living or deceased), including current and former spouses, adopted children and current and former stepchildren. Under this approach, the family is permitted to define family members by referring to the lineal kinship to a designated common ancestor, which should not be an extremely remote ancestor. Annex 1 sets out the proposed definitions of “SFO” and “family member”.

3.7. MAS proposes to allow SFOs to hold or manage the assets of their key employees as we recognise that there is a growing trend where non-family members such as key employees invest alongside the family for purposes of alignment of economic interest and risk-sharing.

3.8. To safeguard against ML risks, MAS proposes to require SFOs to be incorporated in Singapore and establish and maintain business relations with at least one of the MAS-regulated FIs listed in Annex 1. All SFOs operating in Singapore will thus be subject to beneficial ownership requirements for Singapore-incorporated companies under the Accounting and Corporate Regulatory Authority (“ACRA”), and anti-money laundering and countering the financing of terrorism (“AML/CFT”) checks by MAS-regulated FIs. Collectively, these measures are aimed at ensuring adequate AML/CFT safeguards over SFOs operating in Singapore.



3.9. MAS does not intend to grant case-by-case exemptions to SFOs that do not meet the qualifying criteria. SFOs that are unable to meet the qualifying criteria for class exemption and continue to carry on business in fund management will be considered in breach of the SFA. MAS will take appropriate regulatory action against such SFOs or persons claiming to be operating as a SFO in Singapore without meeting the qualifying criteria.

*Question 1. MAS seeks comments on the proposed qualifying criteria for SFOs as set out in paragraph 3.5.*

*Question 2. MAS seeks comments on the proposed definition of family as set out in paragraph 3.6.*



## 4. Notification and Annual Reporting Requirements

- 4.1. Under the proposed framework, SFOs will be required to notify MAS and confirm their ability to comply with the qualifying criteria under the proposed class exemption, within 7 days of commencement of their operations in Singapore. They should obtain a legal opinion supporting their qualification under paragraph 3.5(a) and (b) of the class exemption criteria.
- 4.2. SFOs will have to furnish the following information in their initial notification:
  - (a) key particulars of the SFO, specifically:
    - (i) name, UEN and date of incorporation of the SFO;
    - (ii) name, country and date of incorporation of the fund vehicle;
    - (iii) name(s) of MAS-regulated FI(s) that the SFO has established and maintained business relations with;
    - (iv) name of law firm that provided the legal opinion that the SFO qualifies under the class exemption criteria; and
    - (v) amount of assets to be managed by the SFO.
  - (b) a signed declaration by all the family members who own the SFO (“Ultimate Owners”), CEO and director(s) to MAS that:
    - (i) its Ultimate Owners are currently not the subject of any investigation by authorities, or the subject of any civil or criminal proceedings whether in Singapore or elsewhere;
    - (ii) its Ultimate Owners, CEO and director(s) have never been convicted of a serious crime or been involved in money laundering/terrorism financing/proliferation financing (“ML/TF/PF”); and
    - (iii) it does not and will not engage in any activity with designated persons or entities (i.e. individuals or entities in the United Nations lists or any other list found on the MAS website under “Lists of Designated Individuals and Entities”), whether directly or indirectly.
  - (c) a signed declaration by the Ultimate Owners, CEO and director(s) to MAS that it fulfils all the conditions to be exempted under the class licensing exemption criteria.

*Question 3. MAS seeks comments on the proposed notification requirements for SFOs.*





- 4.3. On an annual basis, MAS proposes that SFOs submit an annual return within 14 days after the end of each calendar year to report their:
- (a) total assets under management; and
  - (b) name(s) of MAS-regulated FI(s) with whom the SFO has established and maintained business relations with as at the end of the calendar year.

*Question 4. MAS seeks comments on the proposed annual reporting requirements for SFOs.*

- 4.4. SFOs that fail to comply with the notification and annual reporting requirements will be considered to be in breach of the relevant Regulations.
- 4.5. MAS will be providing further details on the mode of submission for the proposed notification and annual returns for SFOs, at a later stage and prior to the implementation of the SFO framework.



## 5. Implementation Timeline

- 5.1. MAS proposes to provide a transitional period of six months for existing SFOs operating in Singapore to comply with the proposed framework. To continue to operate in Singapore, these SFOs would need to notify MAS of the required information as set out at paragraph 4.2, within six months from the effective date of the proposed framework. The existing licensing exemption that a SFO has been relying on would be withdrawn when the SFO files the notification to MAS, or at the end of the six-month period, whichever is earlier<sup>2</sup>. SFOs that have filed a notification to MAS may continue operating in Singapore, without the need to obtain MAS' acknowledgement.
- 5.2. Where a SFO has applied for tax incentive under Section 13O or Section 13U of the Income Tax Act, and furnished a legal opinion to MAS as part of its application, the SFO will also be required to obtain a new legal opinion that the SFO qualifies under the proposed class exemption criteria.
- 5.3. New SFOs that wish to commence operating in Singapore following the implementation of the proposed framework will be required to file the notification as set out in paragraphs 4.1 and 4.2 within seven days of commencement of their operations in Singapore. MAS' acknowledgement would not be required for these SFOs to commence operating in Singapore.
- 5.4. As SFOs do not hold any regulated status with MAS, we do not intend to publish a list of SFOs and their contact information on MAS' Financial Institutions Directory.

*Question 5. MAS seeks comments on the transitional arrangements for existing SFOs and the implementation timeline for SFOs to comply with the proposed requirements.*

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<sup>2</sup> For SFOs that fail to notify MAS with the required information by the end of the six months period, these SFOs will be considered in breach of the relevant Regulations if they continue to operate in Singapore.



## 6. List of Questions

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## 7. Annex 1 – Draft Amendments to the Second Schedule to the Securities and Futures (Licensing and Conduct of Business) Regulations

DISCLAIMER: THIS VERSION OF THE PROPOSED AMENDMENTS TO THE REGULATIONS IS IN DRAFT FORM AND SUBJECT TO CHANGE. IT IS ALSO SUBJECT TO REVIEW BY THE ATTORNEY-GENERAL'S CHAMBERS.

### Proposed amendments to paragraph 5 of the Second Schedule to the Securities and Futures (Licensing and Conduct of Business) Regulations (SF(LCB)R)

“5.—(1) The following persons shall be exempted from the requirement to hold a capital markets services licence to carry on business in fund management, subject to the conditions and restrictions specified:

.....

(b) a corporation which carries on business in fund management, other than business in fund management mentioned in paragraph (bb)(ii), for or on behalf of any of its related corporations, so long as in carrying on such business, none of the capital markets products or spot foreign exchange contracts being managed, are —

- (i) held on trust for another person by the second-mentioned corporation;
- (ii) the result of any investment contract entered into by the second-mentioned corporation; or
- (iii) beneficially owned by any person, other than the first-mentioned or second-mentioned corporation;

(bb) a company —

- (i) which is wholly owned (whether directly or indirectly) by one or more individuals, all of whom are members of a single family;
- (ii) which carries on business in fund management for or on behalf of the following persons:
  - (A) an individual mentioned in paragraph (i) or an individual who is a member of the single family mentioned in paragraph (i);
  - (B) a corporation wholly owned (whether directly or indirectly) by any individual mentioned in sub-paragraph (A), where fund management carried on by the company is for the sole benefit of such individuals;
  - (C) an express trust in which —
    - (AA) each settlor is an individual mentioned in sub-paragraph (A); and
    - (AB) each beneficiary is an individual mentioned in sub-paragraph (A);
  - (D) a charity or foreign charity which is funded exclusively by any individuals, corporations or trusts mentioned in sub-paragraph (A), (B) or (C);



(iii) which does not carry on business in fund management for or on behalf of any person other than persons mentioned in paragraph (ii) and key employees of the company; and

(iv) which establishes and maintains business relations with a specified financial institution;

(1AA) For the purposes of paragraph 5(1)(bb),

(a) individuals are members of a single family if each of them are, with reference to a common ancestor, —

(i) a spouse or ex-spouse of the ancestor;

(ii) a lineal descendant of the ancestor;

(iii) a spouse or ex-spouse of a lineal descendant mentioned in sub-paragraph (ii); or

(iv) a stepchild or adopted child of a lineal descendant mentioned in sub-paragraph (ii).

(b) “business relations”, with respect to a specified financial institution, has the meaning given by any direction issued by the Authority under section 16(1) of the Financial Services and Markets Act 2022 which is applicable to the specified financial institution;

(c) “charity” has the meaning given by section 2(1) of the Charities Act 1994;

(d) “foreign charity” means any institution, corporate or not, which is established in a foreign country or territory for purposes which are exclusively charitable according to the law of that country or territory, and which is subject to the control of a court in that country or territory with equivalent jurisdiction to that of the General Division of the High Court with respect to charities;

(e) “key employee”, in relation to a company, means the chief executive officer or an executive director of the company;

(f) “specified financial institution” means —

(i) a bank licensed under the Banking Act 1970;

(ii) a merchant bank licensed under the Banking Act 1970;

(iii) a finance company licensed under the Finance Companies Act 1967;

(iv) a financial adviser licensed under the Financial Advisers Act 2001 or who is exempted under regulation 27(1)(d) of the Financial Advisers Regulations (Rg. 2), other than a financial adviser who provides only the financial advisory service mentioned in paragraph 2 of the Second Schedule to the Financial Advisers Act 2001;

(v) a holder of a capital markets services licence;

(vi) a Registered Fund Management Company;

(vii) a person which is exempted under paragraph 7(1)(b);

(viii) a trustee for a collective investment scheme authorised under section 286 of the Act, that is approved under the Act; or

(ix) a licensed trust company under the Trust Companies Act 2005.



.....

(5) A corporation otherwise exempted under sub-paragraph (1)(a), (b), (bb), (h) or (i) shall not be or shall cease to be so exempted if —

- (a) the corporation or its substantial shareholder is in the course of being wound up or otherwise dissolved, whether in Singapore or elsewhere;
- (b) an enforcement order against the corporation or its substantial shareholder in respect of a judgment debt has been returned unsatisfied in whole or in part;
- (c) a receiver, a receiver and manager, a judicial manager or such other person having the powers and duties of a receiver, receiver and manager or judicial manager, has been appointed whether in Singapore or elsewhere in relation to, or in respect of, any property of the corporation or its substantial shareholder;
- (d) the corporation or its substantial shareholder has, whether in Singapore or elsewhere, entered into a compromise or scheme of arrangement with its creditors, being a compromise or scheme of arrangement that is still in operation; or
- (e) the corporation or its substantial shareholder has been convicted of a relevant offence.

(5A) A company which is exempted under sub-paragraph (1)(bb) must lodge with the Authority —

- (a) where it commences the business in fund management mentioned in sub-paragraph (1)(bb)(ii) on or after [effective date] — a notice of commencement of business in the form and manner specified by the Authority, not later than 7 days after the commencement of its business;
- (b) where it was, immediately before [effective date], exempted under sub-paragraph (1)(b) or under section 99(1)(h) of the Act for the business in fund management mentioned in sub-paragraph (1)(bb)(ii), and continues to carry on such business on or after [effective date] — a notice of continuation of business in the form and manner specified by the Authority, not later than 6 months after [effective date]; and
- (c) an annual return in the form and manner specified by the Authority, within 14 days after the end of each calendar year.

(5B) A company which is exempted under sub-paragraph (1)(bb) must at all times have an employee who is a resident in Singapore as the designated point of contact with the Authority.

.....

(8) Every person exempted under sub-paragraph (1)(a), (bb), (e), (h) or (i) shall furnish to the Authority, at such time and in such manner as the Authority may direct, all such information concerning his business in fund management as the Authority may reasonably require.



## Proposed amendments to regulation 55 of the SF(LCB)R

### Offences

55. Any person who contravenes any of the following provisions shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$50,000:

- (a) regulation 4(1), (2) or (3), 5(1), (2) or (3), 7(2A), 11(2), (3) or (4), 11A(2) or (3), 13, 13B, 13D(4) or (5), 13E, 14(4), (4A) or (6), 16(1), (2), (3) or (5), 17(1), (3), (4) or (5), 18(1) or (2), 18A, 20(2), 20A, 21(1) or (2), 22(2), 26(1), (2) or (5), 27(1), 27A, 28, 29, 31, 32, 33(2), (4) or (5), 34, 34A, 35(1) or (2), 37(1), (2), (3), (4), (5) or (6), 38(1), 39(1), (2) or (3), 40(1), (1B), (2) or (3), 41, 43(1) or (2), 45(1), (3), (4), (5), (6) or (7), 46(1) or (8), 46AC(1) or (2), 46AD(1), 47, 47BA, 47DA(1) or (2) or 48(1);
- (b) paragraphs 3(4)(c), (d), (e)(ii) or (f), 3A(4)(c), (d), (e)(ii) or (f) or (5), 5~~[(5A), (5B)]~~, (7A), (7G), (7I) or (7J) or 7(6) of the Second Schedule;
- (c) a direction issued by the Authority under regulation 51 or paragraph 5(7H) of the Second Schedule.

### Transitional Provision

x.-(1) Paragraph 5(1)(b) of the old Regulations continues to apply to a corporation —

- (a) which was, immediately before [effective date], exempted under paragraph 5(1)(b) and carried on business in fund management mentioned in paragraph 5(1)(bb)(ii); and
- (b) which, on or after [effective date], continues to carry on such business and does not carry on business in fund management for or on behalf of any person other than persons mentioned in paragraph 5(1)(bb)(ii) and key employees of the company,

until the earlier of the following:

- (c) [date which 6 months after effective date]; or
- (d) such date on which the corporation lodges a notification with the Authority under paragraph 5(5A)(a).

(2) In this regulation, “old Regulations” means the Securities and Futures (Licensing and Business) Regulations (Rg. 10) as in force immediately before [effective date].