

## SCHEDULE OF LICENSING REQUIREMENTS IN SINGAPORE, HONG KONG AND JAPAN

### Singapore Licensing Requirements

Regulated fund management companies ('**FMCs**') in Singapore comprise the following:

- (i) Licensed FMC for retail investors ('**Retail LFMC**');
- (ii) Licensed FMC for non-retail, accredited and/or institutional investors ('**A/I LFMC**');
- (iii) Registered Fund Management Company ('**RFMC**'); and
- (iv) Licensed Venture Capital FMC ('**VCFM**').

We set out below a summary of the licensing/ registration requirements for each of these FMCs.

	<b>Retail LFMC*</b>	<b>A/I LFMC</b>	<b>RFMC**</b>	<b>VCFM</b>
<b>Type of MAS Approval</b>				
<b>Type of Approval</b>	Licence Application	Licence Application	Registration	License Application
<b>Financial Requirements</b>				
<b>Minimum Base Capital</b>	Collective investment scheme ('CIS') - S\$1,000,000 Non-CIS - S\$500,000 (plus additional risk-based capital requirement)	S\$250,000	S\$250,000	None
<b>Risk-based Capital Requirement</b>	Financial resources at least 120% of total risk requirement		Not applicable	

		<b>Retail LFMC*</b>	<b>A/I LFMC</b>	<b>RFMC**</b>	<b>VCFM</b>
<b>Staffing and Ownership Requirements</b>					
<b>Staffing Requirements</b>	<b>CEO</b>	Minimum 10 years relevant experience; employed full time and resident in Singapore	Minimum 5 years relevant experience; employed full time and resident in Singapore		Not mandatory
	<b>Directors</b>	Minimum 2 with 5 years relevant experience; at least 1 with an executive role, employed full-time and resident in Singapore. Nominee directors will not meet this requirement.			Minimum 2, at least 1 is executive, employed full-time and resident in Singapore. Nominee directors will not meet this requirement.
	<b>Professionals</b>	Minimum 3 with 5 years of relevant experience and residing in Singapore. May include executive directors, CEO and representatives.	Minimum 2 with 5 years of relevant experience and residing in Singapore. May include executive directors, CEO and representatives.		Minimum 2 resident in Singapore. May include directors.
	<b>Representatives</b>	Minimum 3, who meet minimum entry and examination requirements. May include directors and CEO.	Minimum 2. May include directors and CEO.	Minimum 2, all of whom meet the minimum entry and examination requirements. May include directors and CEO.	
<b>Business Conduct and Audit Requirements</b>					
<b>Professional Indemnity Insurance (PII)</b>	Mandatory	Not mandatory but recommended			Subject to simplified business conduct and audit requirements
<b>Risk Management, Internal Controls and Mitigation of Conflicts of Interest</b>	Adequate and effective arrangements required at all times				
<b>Compliance and Internal Audit</b>	Independent and dedicated compliance function in Singapore with staff who are	AUM exceeding S\$1billion but carrying out only research and advisory	Adequate and effective arrangements required at all		

	<b>Retail LFMC*</b>	<b>A/I LFMC</b>	<b>RFMC**</b>	<b>VCFM</b>
	suitably qualified and independent from the front office	<p>activities that is considered to be fund management</p> <p>- compliance support from an independent and dedicated compliance team at its holding company, or at an overseas related entity</p> <p>AUM less than S\$1billion - independent compliance function with staff who are suitably qualified and independent from the front office</p>	times, commensurate with nature and scale of activities	
<b>Independent Audit</b>	Mandatory for all FMCs to have external audit arrangements in place for annual independent audit of financial statements.			
<b>Restrictions</b>				
<b>Restrictions on Investment</b>	None		Total value of assets managed (AUM) must not exceed S\$250 million.	<p>Only manage closed-ended funds and expected to focus on venture capital.</p> <p>Only unlisted assets.</p> <p>At least 80% of committed capital must be <i>directly</i> invested in new ventures (less than 10 years old). No initial investments into listed securities.</p>

	<b>Retail LFMC*</b>	<b>A/I LFMC</b>	<b>RFMC**</b>	<b>VCFM</b>
<b>Number/ Type of Investors</b>	No limit on number and type.	Qualified investors only,*** but no limit on number.	No more than 30 qualified investors,*** of which no more than 15 are funds or limited partnership fund structures.	Qualified investors only,*** but no limit on number.
<b>Fees</b>				
<b>Application Fee</b>	S\$1,000	S\$1,000	None	S\$1,000
<b>Annual Fee</b>	S\$4,000		S\$1,000	S\$4,000

\* The Retail LFMC, its shareholders or related corporations should have a minimum of 5 years' track record in fund management for retail investors in a jurisdiction with comparable regulatory framework as Singapore. FMC and related corporations should also manage total assets of at least S\$1 billion.

\*\* On 24 October 2023, MAS published the Consultation Paper on Repeal of Regulatory Regime for Registered Fund Management Companies (the '**Consultation Paper**') which proposes to repeal the regulatory regime for RFMCs. MAS will stop accepting new RFMC applications from **1 January 2024** after which applicants seeking to conduct fund management can apply for a capital markets services license ('**CMSL**') for fund management if they are able to meet the requisite admission and ongoing requirements. MAS will continue to review any RFMC application that remains outstanding after 1 **January 2024**, with a view to registering all successful applicants before the repeal date.

Read the full Consultation Paper [here](#).

\*\*\* Qualified Investors - accredited or institutional investors only.

### **Hong Kong Licensing Requirements**

Generally speaking, to carry on business as an asset manager in Hong Kong:

- (i) a SFC license for Type 9 (asset management) regulated activity is required for a manager seeking to provide discretionary portfolio management services;
- (ii) a SFC license for Type 4 (advising on securities) regulated activity is required for a manager seeking to provide investment advisory services or to issue fee-based research report; and

- (iii) a SFC license for Type 1 (dealing in securities) regulated activity is required for a manager seeking to market and distribute funds that are not managed by itself or to perform trade execution for others.<sup>1</sup>

It is a fairly typical combination for managers to go with a license for Type 4 & 9, a license for Type 1, 4 & 9, or a license for Type 1 & 4. We set out below a brief summary of the license application requirements.

SFC License - Categories of Regulated Activities Typically Relevant for Asset Managers (For more details, please see: <a href="https://www.sfc.hk/-/media/EN/assets/components/codes/files-current/web/guidelines/licensing-handbook/licensing-handbook.pdf?rev=b2109e7546cb4080a66f40e645fc65ac">https://www.sfc.hk/-/media/EN/assets/components/codes/files-current/web/guidelines/licensing-handbook/licensing-handbook.pdf?rev=b2109e7546cb4080a66f40e645fc65ac</a> )			
	Type 1 (dealing in securities)	Type 4 (advising on securities)	Type 9 (asset management) <sup>^</sup>
Permissible Activities	Marketing and distributing funds; performing trade execution.	Providing investment advisory services; issuing fee-based research reports.	Providing discretionary portfolio management services.
Responsible Officers*	Two - with experience in the relevant asset classes and target markets. Note: It may be argued that similar (but not spot-on) experience should be taken into account.		
Minimum paid-up share capital	HK\$5,000,000	Not applicable <sup>#</sup>	Not applicable <sup>#</sup>
Minimum liquid capital	HK\$3,000,000	HK\$100,000 <sup>#</sup>	HK\$100,000 <sup>#</sup>
	Subject to the Securities and Futures (Financial Resources) Rules		
Applicant Entity Requirements	Typically a limited liability company incorporated in Hong Kong, although the SFC accepts as applicant a company incorporated outside of Hong Kong or a branch thereof, provided that such company or branch is registered as a 'registered non-Hong Kong company' with the Companies Registry.		

<sup>^</sup> If the asset manager proposes to (a) manage any fund (or portions of a fund) that invests in virtual assets and such investment is stated in the fund's investment objective; or (b) manage any fund that invests 10% or more of its gross asset value in virtual assets, it will be subject to additional requirements, including being subject to the 'Proforma Terms and Conditions for Licensed Corporations which Manage Portfolios that Invest in Virtual Assets' of October 2019.

\* If a responsible officer has the requisite experience for more than one regulated activity, he can act as a responsible for all those regulated activities.

<sup>#</sup> It is assumed that the applicant is subject to the licensing condition that it shall not hold client assets, which is typically the case.

<sup>1</sup> There are exceptions under the definition of each regulated activity, which must be considered on a case-by-case basis.

## Japan Licensing Requirements

Financial Instruments Business Registrations (For more details please see: <a href="https://www.fsa.go.jp/en/policy/marketentry/guidebook/03.html">https://www.fsa.go.jp/en/policy/marketentry/guidebook/03.html</a> )					
	Type 1 Financial Instruments Business Operator ('Type 1')	Type 2 Financial Instruments Business Operator ('Type 2')	Discretionary Investment Management Business Operator ('DIM')	Investment Management Business for Qualified Investors ('Pro-DIM')	Investment Advisory and Agency Business Operator ('IAA')
Permissible Activities	Marketing or offering of Paragraph 1 Securities (i.e. shares, bonds, warrants units of trusts etc.)	Marketing or offering of Paragraph 2 Securities (i.e. interests in limited liability companies, limited partnerships, etc.)	Providing discretionary investment management services to a person or entity in Japan; or provide such services from Japan	Providing discretionary investment management services to Qualified Investors (with total AUM limited to JPY 20 billion or less).	Providing investment advice and/or providing intermediary or agency services for parties entering into investment advisory agreements and/or discretionary investment management agreements.
Capital Requirement	JPY 50 million	JPY 10 million	JPY 50 million	JPY 10 million	N/A
Net Assets Requirement	JPY 50 million	N/A	JPY 50 million	JPY 10 million	N/A
Capital Adequacy Ratio	120%	N/A	N/A	N/A	N/A
Business Office in Japan	Required	Required	Required	Required	Not Required
Applicant Entity Requirements	Must be a Japan stock company or a Japan branch of an equivalent company.	Must have a business office or office in Japan.	Must be a Japan stock company or a Japan branch of an equivalent company.	Must be a Japan stock company or a Japan branch of an equivalent company.	Not required to be domiciled in Japan.