

Fund Management Rules, Regulations and Guidelines

- SFA – Main legislation
- SFR has more details on SFA and **force of law**
- Notices are legally binding, can use by MAS to determine if contravention is criminal offence
- Guidelines – best practices, contravention is **not criminal offence**
- Codes (eg IMAS code)– non statutory, **not criminal offence**

Regulatory Requirements for Licensing

- Business carrying regulated activity, principal / agent, need CMS licence EXCEPT FOR
 - Bank licensed under banking act
 - Merchant bank approved as FI under MAS act
 - Finance company licensed under Finance Companies Act
 - Company registered under Insurance Act
 - Exchange
 - Approve clearing house
 - Persons exempted by MAS
 - FMCs who carry on business on behalf of its related corporation
 - FMCs that qualify for RFMC regime (< 30 qualified investors, managed assets max \$250M)
 - *PENALTY: \$150K, 3 YEARS*
- Fund management – exercise direct / indirect control over management of investment portfolio (REITS not included)
- LFMC
 - Retail – serve all investors including retail
 - Licensed accredited / institutional – serve qualified investors aka accredited investor OTHER THAN (one who participate in CIS in Singapore offered to only AI, holder of a unit in closed-end fund, corporation with net assets > 10M)
- Determining AUM based on net value of assets, leverage excluded– FMC A has 10M, outsourced 3M to FMC B, A's AUM is 10M, FMC B is 3M
- Criteria for licensing – Singapore incorporated, permanent physical office, competency of individuals

	RFMC	AI LFMC	Retail LFMC
Directors			
Count	2	2	2
FT director	1	1	1
Years of experience	5	5	5
Resident of Singapore	Yes	Yes	Yes
CEO			
Years of experience	5	5	10
Relevant professionals (include director + CEO)	2	2	3
Representatives (residing in Singapore)	2	2	3

- CEO and Director must be approved by MAS
 - Educational, experience, expertise
 - Fit and proper – honesty, integrity, sound reputation
 - History of violations
 - Financial standing
 - Past performance
- LFMC must meet base capital and risk-based capital requirement
 - Base Capital
 - Base capital = share capital + preference share + profit / loss – interim losses
 - Carrying out fund management in respect of any CIS: \$1M
 - Carrying out fund management (non-CIS): \$500k
 - Others: \$250k
 - If fail to maintain must notify MAS **immediately**
 - MAS will
 - Cease any increase in position, financing, funds accepted
 - Transfer all / part of assets to other CMS holders
 - Impose conditions to operate business
 - Cease carrying on business until complies with base capital requirements
 - Risk-based capital
 - Risk-based capital = Base Capital + other forms of capital - deductibles
 - Financial resources > 120% TRR
 - If fail to maintain must notify MAS **immediately**
 - TRR
 - Average adjusted assets = (on balance sheet + off balance sheet assets – deductibles) / n months
 - TRR must include operational, counterparty risk and market exposure if assets in each quarter > \$10M or 5x total positive financial resources else only include operational risks
- FMC must identify, address, monitor risk associated with customer assets
 - Governance, independence and competency

- Identification and measurement of risk associated with assets
- Timely monitoring and reporting of risks to management
- Proper documentation
- Track record of LFMC – retail must show have 5 year track record, at least 1 billion
- Subject to proper supervision
- Commitment of FMC holding company to FMC's operations in Singapore
- Commitment from FMC's shareholders
- If FMC wound up / dissolved, CMS licence lapsed
- Revoking CMS licence
 - Insolvency, financial difficulties
 - Fails / cease to carry on business in regulated activities
 - Licence holder not acted in best interest of customers
 - Licence holder not performed duties efficiently, honestly / fairly
 - Contravenes restriction
 - Fail to satisfy obligations
 - Contrary to public interest
 - False misleading information
 - Fail to pay licence fee
- When licence revoke, **immediately** inform all representatives by notice
- When licence suspend, **immediately** inform all representatives by notice
 - *PENALTY: \$150K*
- Registration of representatives (through RNF, provide unique number that stay with rep even if change principals, to verify against register of representatives)
 - Appointed rep
 - Temp rep – short term basis, 6 months appointment within 24 month period with each appointment < 3months
 - Provisional rep
 - *PENALTIES: INDIVIDUAL: \$50K, 12 MONTHS, FMC: \$150K*
 - Act for one principal unless approved
 - *PENALTIES: \$50K, 12 MONTHS*
- FMCs expected to conduct due diligence on fit and proper of reps
 - Identity – verify NRIC
 - Past records – check with previous employers law etc.
 - Financial status – records from CPF, credit agencies
- Revoking registration of licence
 - Seriousness / severity of circumstances
 - Relevance of unfulfilled criteria in relation to duties
 - Time lapsed since failure to meeting criteria
- Cessation of status of reps
 - FMC notifies MAS of cessation
 - Ceased to act as a rep for **1 month** and FMC has not notified MAS
 - MAS revoked status
 - FMC cease business
 - FMC licence lapse
- Change in particulars need to inform company within **7 days** and notify MAS within **14 days**
 - IF cessation of rep, must furnish in **next business day**
 - IF rep has not commence job before end of 6 months from name entering to register or granted rep licence need inform **immediately**
 - *PENALTY: \$50K*
- Continuing education of reps review **1 year**
- Extra-territoriality of SFA (not offence creating)
 - Apply if act conducted partly in and partly outside Singapore
 - Wholly outside Singapore but substantial and foreseeable effect in Singapore
 - Substantial effect – number of persons in Singapore, impact on soundness, stability and safety of Singapore financial system
 - Would not be caught if
 - Foreign entity is responding to unsolicited enquiries / applications from persons in Singapore
 - Servicing client who was previously overseas and moved to Singapore and the business relationship can be established overseas
 - Provide services to regulated person
 - May not apply if
 - Use prominent disclaimers to show that target people outside Singapore
 - Reasonable / effective precautions
 - Absence of advertisement / published information disseminated
 - Absence of references to advertisement
 - Possible to seek approval for cross border arrangements
 - Singapore entity must hold CMS
 - Singapore entity should ensure foreign corporations
 - Maintain **3 year** track record
 - Competence

- Discharges functions in efficient honest fair manner
- Good ranking in home country
- Proper supervision by home regulatory authority
- MAS assessment
 - Nature of activity, roles of the companies, adequacy of controls and procedures, record keeping and documentation, target clientele

Regulatory Requirements for Conduct of Business

- Duties of CMS holders
 - Implement and ensure compliance with policies
 - Compliance function and arrangements
 - Identifying addressing and monitoring trading and business risk
 - Internal audits
 - Inquiring into compliance with relevant laws and rules
 - Documenting steps for compliance
 - Accuracy correctness and completeness of reports
 - Effective controls and segregation of duty
- Duties of LFMC
 - Risk management framework
 - Assets subject to independent valuation
 - Independent party conveys NAV to customers
 - Segregate AUM from prop assets and main them in trust / custody account
 - Not required if assets not listed / quoted on securities markets
 - Interests in closed end fund used for PEVC investments
 - Only offered to AI
 - Must disclose and obtain acknowledgement
 - Arrange for annual audits and provide customers with audit reports
 - Priorities purchase and sale of securities on behalf of customers
 - Mitigate and disclose any conflict of interest
- Failure to discharge duties
 - Remove director if
 - Wilfully contravened / caused LFMC to contravene
 - Failed to secure compliance of LFMC with law
 - Failed to discharge duties of their office
 - *PENALTIES: CRIMINALLY LIABLE IF LFMC'S NON-COMPLIANCE IS A RESULT OF THEIR CONSENT*
- MAS approval for appointment of CEO / Director / changing nature of appointment from NED to ED
- Cannot takeover / effective control (Control directly or indirectly or acquire >20% issued shares / votes) LFMC unless MAS approval
 - Applicant must be fit and proper
 - Conduct business prudently
- Approval for reduction of paid up ordinary share capital
- Repayment of principal of preference shares
 - Must notify MAS before issuance
 - Not allowed to repay principal UNLESS
 - Notify MAS **3 months** before proposed date
 - If at date of redemption financial resources < 120% TRR / aggregate indebtedness > 600% aggregate resources
- Repayment of Subordinated loans
 - Notify MAS no later than date of draw down / maturity date
 - After maturity any repayment is prohibited UNLESS
 - Notify MAS **1 business day** before date of repayment
 - If at date of redemption financial resources < 120% TRR / aggregate indebtedness > 600% aggregate resources
 - If MAS prohibited in writing
- LFMC and reps must disclose interest in securities listed for quotation and allow MAS full access to register, any changes within **7 days**
 - Maintain register of securities in form 15
 - Record particulars of any new acquisition of interest in securities with **7 days** of acquisition
 - Register is easily accessible and retained for at least **5 years**
 - Copy kept in Singapore
 - Maintained at principal place of business
 - If place changed, notify MAS by lodging form 10 within **14 days**
 - *PENALTY: \$50K*
- Any changes to name, address, activities, style under which business is carried on, must inform MAS within **14 days**, IF cessation, licence must return to MAS within **14 days**
- Advertising rules
 - Cannot refer to profitable recommendation made in the past, if referred
 - List all recommendations made 1 year prior
 - State name of each instrument and their details
 - Explain past result does not guarantee future

<ul style="list-style-type: none"> ○ Directly or indirectly claim that any graph and formula can use to determine which instrument to buy/sell, when to buy/sell without disclosing limitations ○ Claim that anything FOC unless it is a fact ○ Contain inaccurate exaggerate or misleading statement 	<ul style="list-style-type: none"> ○ Not be liable to be paid or taken under an order ○ Deposited in specific account (by next business day), cannot comeingle with money and assets of LFMC (unless same trust/custody account) ○ Separate book entry recorded and maintained for each customer ○ Interest earned shall accrue to customer subject to agreement 	<ul style="list-style-type: none"> ▪ Approval for acquisition, holding, disposal, exercise right for >5% ▪ <i>PENALTIES: \$250K, 2 YEARS</i>
<ul style="list-style-type: none"> • Risk disclosure – before agreements or opening accounts <ul style="list-style-type: none"> ○ Provide written risk disclosure ○ Obtain signed and dated acknowledgement ○ Ensure documents kept in Singapore • Interest in underwriting agreements – during offer for subscription, LFMC may have underwriting to sub underwriting agreement to subscribe for these securities, 90 days after close of the offer, LFMC MUST NOT <ul style="list-style-type: none"> ○ Offer to sell those securities on exchange ○ Make recommendation on those securities unless accompanied by statement that LFMC may potentially acquire under underwriting agreement <ul style="list-style-type: none"> ▪ Not applied if to accredited investor or government securities • Cash rebate and soft dollar commissions <ul style="list-style-type: none"> ○ Cash rebates should not retain in FMC’s account, but disclose and pass on to respective customers, commissions net of rebates should not be grossed up and charged to clients ○ Soft dollars can be received if <ul style="list-style-type: none"> ▪ Assist in providing investment advice to customer ▪ Best execution ▪ Manager doesn’t intentionally generate soft dollars ○ Disclosure in semi-annual and annual reports <ul style="list-style-type: none"> ▪ Describe soft dollars received ▪ Confirmation that soft dollars for scheme’s benefit ▪ Confirmation that best execution and no churning • Provision of account statement to customers (monthly and quarterly unless monthly already include) <ul style="list-style-type: none"> ○ Transactions and price ○ Futures position, net unrealized profits / losses ○ Status of asset in custody ○ Movement of every asset, date and reasons ○ Movement and balance of money received ○ Account of all financial charges and credits • Account statement NOT needed if <ul style="list-style-type: none"> ○ No change in particulars since last statement ○ Accredited investor <ul style="list-style-type: none"> ▪ Customer consent to real time particulars ▪ Requested not to receive statement from LFMC • Book keeping and furnishing returns (5 years) <ul style="list-style-type: none"> ○ Explain transactions and financial position ○ Enable true and fair preparation of accounts and balance sheet ○ Conveniently and properly audited • Book must contain <ul style="list-style-type: none"> ○ Particulars of customers ○ Names of person who guarantees settlement of amount owed in customer account ○ Every transaction ○ Separate record for each customer ○ Assets accountable ○ Underwriting and placement transactions ○ Prop transaction ○ Income and expense ○ Asset and liabilities ○ Every power of attorney or document authorising LFMC to operate client’s account ○ Written agreements ○ Acknowledgements ○ Order prepared or received ○ Report letter etc distributed ○ Written confirmation of every transaction • Annual and quarterly returns <ul style="list-style-type: none"> ○ Appoint auditor to audit accounts ○ For each FY, prepare and submit within 5 months <ul style="list-style-type: none"> ▪ True and fair PnL ▪ Auditors report on financial statements ▪ Statement relating to accounts and further information ▪ Asset and liabilities ▪ Financial resources, total risk requirement and aggregate indebtedness ○ Quarterly returns (14 days) <ul style="list-style-type: none"> ▪ Asset and liabilities ▪ Financial resources, total risk requirement and aggregate indebtedness • Money received from / on behalf of customers <ul style="list-style-type: none"> ○ Applied for the purposes agreed by customer ○ Paid or deposited in the manner prescribed ○ Not used for payment of debt 	<ul style="list-style-type: none"> • Any licenced / approve FI can maintain custody account • Bank licenced, merchant bank and finance company can only maintain trust account • If customer money in foreign currency, LFMC may deposit money maintained with overseas custodian if <ul style="list-style-type: none"> ○ Obtain consent ○ Custodian licenced, register, authorised in the country to conduct banking business and act as custodian • Notification and acknowledgement from FI <ul style="list-style-type: none"> ○ Before depositing money, LFMC must obtain in writing <ul style="list-style-type: none"> ▪ Moneys/assets deposited are held on trust and FI cannot set off the money against debt owed by LFMC ▪ Account designated as trust is distinguished and maintained separately ○ LFMC must also conduct due diligence and obtain written agreement setting out terms and conditions • Withdrawal <ul style="list-style-type: none"> ○ LFMC does not have absolute discretion to withdraw money ○ May only withdraw to <ul style="list-style-type: none"> ▪ Make payment to person entitled to the account ▪ Payment for customer to meet obligation that arise from dealing in securities ▪ Defraying brokerage charges ▪ Payment to any other person in accordance with written direction ▪ Reimbursing money that the LFMC has advanced to the account and any interest and returns that it is entitled to ▪ Making investment in accordance with SFA ▪ Payment or withdrawal authorised by law • LFMC may hold money held in trust in SGS, government debt instruments, any MAS determined securities • LFMC may mortgage customer assets if it’s the amount owed by the customer • LFMC cannot give unsecured loan to people who are not employees of the LFMC <ul style="list-style-type: none"> ○ If given loan to employee, must be <1 year compensation • If LFMC borrow / lend securities, must be 100% collateralised <ul style="list-style-type: none"> ○ Explain risks involved ○ Obtain consent before transaction • If LFMC borrow from accredited investor, collateral not required • Outsourcing guidelines (best practices) <ul style="list-style-type: none"> ○ CANNOT outsource if material (outsourcing, if disrupted significantly impact LFMC business operations, reputation or profitability) <ul style="list-style-type: none"> ▪ Apply risk management practices <ul style="list-style-type: none"> • Notify MAS • Framework for evaluating risk and materiality of outsourcing • Satisfied that jurisdiction is acceptable • Due diligence on service provider • Outsourcing agreement • Ensure provider’s security policies protect customer confidentiality • Business continuity not compromised • Monitor and control outsourcing • Audits and reviews and submit report • If LFMC insolvent, unable to meet obligation, suspend payments, inform MAS immediately • MAS assumption of control if <ul style="list-style-type: none"> ○ Insolvent ○ Detrimental to public interest ○ Contravened provisions ○ Failed to comply with licence condition ○ Interest of the public ○ MAS can <ul style="list-style-type: none"> ▪ Require LFMC to immediately take action / refrain from doing act ▪ Appoint statutory advisor ▪ Assume control and manage the business • MAS may also prohibit LFMC from carrying on business and subject to approval of minister, MAS can direct compulsory measures (transfer of business, transfer of shares, restructuring of share capital) • Statutory disclosure requirements <ul style="list-style-type: none"> ○ Listed company abide by disclosure obligations contained in SGX listing manual ○ Director of company disclose various interests, any change in director or CEO’s interest within 2 business days 	<ul style="list-style-type: none"> • Disclosure obligations SGX listing manual <ul style="list-style-type: none"> ○ Announce information concerning subsidiaries / associated companies which are <ul style="list-style-type: none"> ▪ Necessary to avoid false market (information that would influence person decision to buy sell the securities) ▪ Materially (property, assets, business, financial condition, prospects, M&A, change in ownership etc.) affect price of securities ▪ NO WAIVER ○ Observe corporate disclosure policy ○ Ensure directors and executive officers are familiar with the disclosure requirements ○ Immediate disclosure <ul style="list-style-type: none"> ▪ JV M&A ▪ Declaration or omission of dividends or determination of earnings ▪ Evidence of improvement or deterioration in near term earnings ▪ Subdivision of shares ○ DISCLOSURE EXCEPTIONS <ul style="list-style-type: none"> ▪ Breach law to disclose information ▪ 3 conditions (access restricted to highest management, need-to-know basis, anyone with the information need to report transactions, closely monitor trading activity) <ul style="list-style-type: none"> • Reasonable person would not expect it to be disclosed (else it’ll jeopardize corporate objective) • Kept confidential (no one can trade on the information) • One or more of the following <ul style="list-style-type: none"> ○ Information concerns incomplete proposal ○ Supposition ○ Information for internal management ○ Trade secret • Clarify / confirm a rumour promptly, if rumour indicate material information was leaked, explicit announcement required <ul style="list-style-type: none"> ○ Efforts should be made to the distributor ○ If rumour correct need to make public statement on state of negotiations or corporate plans even if the issue not presented to board ○ Rumour of predicting sales earnings or other data not required to respond but if materially incorrect need to make announcement • Unusual trading – check if information would account for the activity, any leaked material information <ul style="list-style-type: none"> ○ If due to material information do nothing ○ If leak then must correct rumour or reports ○ If unable to determine then make public announcement • Public dissemination – material information must be disclosed when arise, even during trading hours <ul style="list-style-type: none"> ○ Request trading halt to facilitate dissemination (last > 30mins after release) ○ Request temporary suspension if unable to release information when trading halt ends ○ Disclosure must be made by announcement to SGX via SGXNET • Public announcement <ul style="list-style-type: none"> ○ Clear factual succinct ○ Sufficient quantitative information to evaluate relative information ○ Balance and fair <ul style="list-style-type: none"> ▪ Avoid omission of unfavourable facts ▪ Presentation of favourable possibilities as certain or more probable ▪ Presentation of projections without evidence ▪ Negative statements phrased to as positive ▪ Promotional jargon ○ No technical language ○ Explain consequences of information on future prospects ○ Prepared and reviewed by official familiar with the matter and familiar with SGX requirements ○ Limited group of individuals to do this ○ Review by legal counsel
Regulatory Requirements for Market Conduct \$250k 7 years		
<ul style="list-style-type: none"> • False Trading and market rigging – transaction not driven by genuine investment objective, create impression of greater market activity or push price off current levels, delude others into sending orders into the market which the perpetrators will attempt to profit <ul style="list-style-type: none"> ○ Create appearance of active trading ○ Wash trade – Buy sell without change in beneficial ownership ○ Transactions created to give false appearance wrt price of security ○ Matching orders / prearrange trades – side arrangement similar to wash trade but have 2 parties ○ Window dressing – used by fund managers, place big buy at the end of trading day to bump the price to create impression that performance of securities / funds is goods • EXCEPTIONS <ul style="list-style-type: none"> ▪ Marriages – typing up 2 coinciding orders by broker 		

<ul style="list-style-type: none"><ul style="list-style-type: none">Put throughs – transactions executed outside exchange but put through to SGX for record and complianceMarket manipulation – interference with supply and demand to deceive / defraud investors; 2 or more transactions in securities that are likely to raise lower maintain price<ul style="list-style-type: none">Greenshoe option often caught under this provision but is exceptionProvisions to prevent<ul style="list-style-type: none">Prohibited from engaging in practices inducing any person to create false appearance of active tradingExecute trading strategies with care and remember obligationsNot allowed to deal with securities in a manner that may affect price of securities with the intent to induce other person to buy sell securitiesNot allowed to buy / sell if there is an existing opposite order from the same member unless<ul style="list-style-type: none">Orders for different ownersOrder permitted by SGX as having legitimate commercial reasonJustify that order is not made to create false marketCorner the market by purchasing large volumes to gain monopolistic control and drive up pricesFalse or misleading statements and information<ul style="list-style-type: none">Pump and dumpShort and distortDissemination of information about illegal transactions – persons in the know can take advantage of the expected market movements without being involved in the fraud<ul style="list-style-type: none">A tells B to disseminate illegal info, A tells other about the expected move and hopes to take profitInsider trading – inside information that is not generally available and if known would have material impact on price should not be traded on or communicated to others<ul style="list-style-type: none">Connected insider – proven that person possessed information not generally available, assumed until proven otherwise that the person knew that the information was not generally available<ul style="list-style-type: none">Officer of corporation (director, receiver of property, judicial manager, liquidator, trustee)Substantial shareholderOccupies position that is expected to give access to price sensitive informationTippee – proven that person knew the information was not generally available and is price sensitive<ul style="list-style-type: none">Does not have to be connected to corporationActual knowledge is required (vs insider sufficient to show ought reasonably to have known)Does not have to be the one who received information directly or indirectly from an insiderDoes not have to have an arrangement / association with insiderBe aware that insider is precluded from dealingIrrelevant where the information came fromInformation is public if<ul style="list-style-type: none">Readily observable mattersMade known in a way that it would have brought the attention of persons who commonly investMade known in a reasonable period for disseminationConsist of deductions conclusions drawn from aboveBest practice<ul style="list-style-type: none">Don't deal with securities 2 weeks before quarterly statements and 1 month before FY statementsCorporation also knows if officers know of the inside information<ul style="list-style-type: none">Corporate doesn't contravene insider trading if<ul style="list-style-type: none">Decision was on behalf of a person other than the officerArrangements to ensure that information was not communicated to the decision maker and no advice was given (Chinese wall defence)EXCEPTIONS<ul style="list-style-type: none">Redemption by trustees or manager for CISActing as underwritersPurchase or sale pursuant to legal requirementsKnowledge within partnership and limited liabilityKnowledge by virtue of natural persons own transactionsKnowledge of corporations own transactionIf both parties have same information then equal footing 'parity of information'Securities hawking – offer / invite subscription of securities during unsolicited meetings with clients (does not apply to securities that don't need prospectus)<ul style="list-style-type: none">PENALTY: \$10k 6 months	<ul style="list-style-type: none">Excessive trading / churning – intentional trading to enrich expense / generate commissions (entering small trades with little or no benefit to customer)Unauthorised trading – executing trade without customer approval (personal trades / third party trading)To ensure order exposed to competitive environment, member cannot knowingly effect a transaction for an account that the member has interest in or account of any person associated with or connected to member<ul style="list-style-type: none">Doesn't apply if customer order entered into QUEST and waited 10s before sending opposite orderPENALTIES \$100K 1 YEARPriority of customer orders<ul style="list-style-type: none">Cannot trade for own account if have customer order in hand<ul style="list-style-type: none">EXCEPTION<ul style="list-style-type: none">No access to customer order flow informationCustomer instructionsTransaction entered in prescribed circumstancesPENALTIES \$100K 12 1 YEARCannot knowingly take advantage of error and breakdownShould have processes of review suspicious orders and trades on exception reports or trigger automated alerts<ul style="list-style-type: none">Reviewed by independent party regularlyMere fact that order placed in exception report doesn't absolve them from compliance responsibilitiesLate trading – Practice where investor places order to subscribe shares in CIS after CIS calculated NAV (not market misconduct or offense)<ul style="list-style-type: none">Dilution of value of CIS, take advantage of fluctuationsShort selling guidelines<ul style="list-style-type: none">Advantages<ul style="list-style-type: none">Efficient price formationIncrease market liquidityFacilitate risk management and hedgingDisadvantages<ul style="list-style-type: none">Increases volatilityMarket uncertaintyMarket abuse (spread false rumours, panic selling)Mitigation<ul style="list-style-type: none">CDP buys securities on behalf of sellers who don't possess securities on delivery day (buying in) at CDP's discretionNeed to be reported, information relevant to trading decisions<ul style="list-style-type: none">Obtain confirmation if sell order is short sell before execution, split sell and short sell ordersCMS licence holder borrowing<ul style="list-style-type: none">State holder is principal or agentProvide transfer of title and interest in securities and collateralRights to document borrowing and lending arrangement, dividend payments, voting rightsDaily mark to market valuation of collateral and calculating margin and shortfallProcedures for return of securitiesTermination of agreement, setoff claims, default condition, lending borrowing feesPENALTY \$50KVigilant practices<ul style="list-style-type: none">Should not accept instructions at face value, ask relevant questionsExecute transaction if genuine commercial transactionInconsistent history – Exercise judgement to assess impact of proposed transactionCollaboration and reporting suspicious activities and incidents of fraud – Consider whether transaction may cause material change in security prices<ul style="list-style-type: none">Know customers, orders placed by customer and any related party that may have interestLodge form F1 'suspicious activities and incidents of fraud report' no later than 5 working days after discoveryMultiple / large orders – may indicate attempt to create false misleading appearance, should not make large entries above / below bid / ask spread to facilitate filling an orderTransaction to influence prices – Be alert to any orders placed near the close of last trading day that will influence calculation of valuationsConnected partiesMatching ordersErratic price movements or volumeRemoval of orders before execution – making orders with no intention to buy / sell or to entice market participantsExcessive volume or size – only if legitimate purpose and executed properlyLikelihood of trading at best offer volume / next price level – if regularly buy on uptick sell on downtick should be queried, repetitive order to clear best offer suggest attempt to break market pattern	<ul style="list-style-type: none">Series of orders affecting consistency price of security – consider whether orders successively and consistently affect price of securitySGX surveillance<ul style="list-style-type: none">Public query and trade with caution – when trading activity cannot be explained, SGX will query the listed company to extract yet to be announced material information and alert investors of unusual trading activities, query will be posted on company announcement page on SGX<ul style="list-style-type: none">If company unaware of reasons for unusual trading then SGX will issue trade with cautionReal time up to the minute alertsSuspension or restricted trading and trading halts<ul style="list-style-type: none">SGX has power to suspend trading if market not orderlyWhen<ul style="list-style-type: none">SGX wishes to release information that is market sensitivePublic interestIssuer request and SGX agree to suspensionAccess to trading system restrictedPossible takeover situationsCircuit breakersFire, terrorist etc.No trading allowed unless approvedSuspension can lift any timeSuspension longer than trading haltDesignated security – manipulation, excessive speculation in a security<ul style="list-style-type: none">Require trading member to obtain marginsRestrict trading if outstanding contracts >5% paid up capital of companyProhibit any sale unless seller holds security at the time of saleProvide details of customer particularsDeclaring a corner – if someone has control over supply of security<ul style="list-style-type: none">Impose conditions on deliver or declare that contracts be cash settledForm settlement committee to determine fair priceFX misconduct<ul style="list-style-type: none">Bucketing \$250K 7 years– rep directly / indirectly take opposite side of customer order without consent (\$100k 1 year), deprive customer chance of exposure to competitive bid ask<ul style="list-style-type: none">Cannot execute order without having bonafide order in handViolates rules on withholding orders (cannot withhold unless for customer benefit)Prearrange trades – all trading must take place within SGX QUEST system central order book. Trades discussed and arrange outside will be forbidden<ul style="list-style-type: none">NOT COUNTED:<ul style="list-style-type: none">Exchange of underlying futures contractsLarge negotiated tradesRequest for quote from designated market maker approved by SGXFront running – cannot trade for other accounts if have customer orders in hands<ul style="list-style-type: none">DOES NOT APPLY IF:<ul style="list-style-type: none">Licence holder have no access to customers order flow informationCustomer instructionTransaction entered into in circumstances prescribed by MASCross Trades – if receive buy and sell orders from different customers at same time and price for the same contract are not allowed to match the 2 internally<ul style="list-style-type: none">Have to match the order that has better price than last traded/settlement priceNot considered if 10s between first and second legPENALTY: \$100k 1 yearExtra territorial jurisdiction – apply to acts in Singapore wrt things listed quoted traded in or outside Singapore and acts outside Singapore that is accessible from Singapore (means even if act is outside Singapore, will be breach)<ul style="list-style-type: none">Consider if person act is<ul style="list-style-type: none">Partly in or partly outside SingaporeSubstantial and reasonably foreseeable effect in SingaporePenalties<ul style="list-style-type: none">Criminal penalties – \$250k 7 yearsCivil penalties – relevant authority empowered to bring a court action could result in imposing of civil penalty in place of criminal penalty<ul style="list-style-type: none"><3x profit gain or loss avoided\$50k (not corporation), \$100k (corporation)Criminal / civil proceedings wont happen together, if one fail the other can still apply, If charge already then the other wont apply
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<ul style="list-style-type: none">○ Civil liabilities – may have licence suspended or revoked, recover amount loss, should divided among those who suffered, partnerships and limited liability partnerships treated similar<ul style="list-style-type: none">▪ At the same time of offence, entered into trades of same description and▪ Suffered market losses due to effects of offence○ Suspension or loss of licence○ Attribution to corporation<ul style="list-style-type: none">▪ Offence created by employee with consent (board or any agent with managerial authority intentionally engage in the offence or culture that encouraged non-compliance) of corporation and▪ Through negligence fail to prevent or detect contravention of provisions▪ Court will consider if there were policies and procedures to prevent market misconduct and if consistently enforced○ Attribution to individual	<ul style="list-style-type: none">▪ Trustee must take custody or control of all CIS properties▪ Ensure all properly accounted▪ Ensure kept distinct from trustee/s own property	<ul style="list-style-type: none">○ Application to MAS to authorise CIS○ Trust deed – document on how the trust will operate, contain covenants on responsibility of manager and trustee○ Prospectus○ Advertisements○ Valuation<ul style="list-style-type: none">▪ Valuation NAV<ul style="list-style-type: none">• Issue redeem or repurchase based on NAV / units outstanding adjusted by fees and charges• Calculated consistently and in accordance with CPA• For capital guaranteed, at maturity should redeem at price >= guaranteed amount and NAV / units outstanding▪ Market Quotations and fair value<ul style="list-style-type: none">• Basis of valuation – official closing price / last transacted price, fair value• Valued by qualified person approved by trustee• If market value cannot is material and cannot be determined, suspend valuation and trading in units▪ Frequency – every business day except<ul style="list-style-type: none">• CIS not dealt every business day• Property funds (once a year)▪ Rounding difference – credited to CIS▪ Errors and compensation<ul style="list-style-type: none">• Notify MAS and trustee• If error >0.5% of CIS NAV per unit, compensate affected participants• If < 0.5% error don't need compensate, if compensate 1 must compensate all• Cannot pay any expenses from CIS	<ul style="list-style-type: none">○ SHOULD Transaction at arms length○ Best execution○ Arrangements with distributor of CIS – ask for particulars of participants○ Financial derivatives – ensure risk are measure monitored and managed○ Use of credit ratings – not sole rely on credit rating issued, make own assessment○ NO significant influence	
Collective Investment Schemes <ul style="list-style-type: none">• Definition – arrangement of any property under which the property is managed by manager who manages contributions of participants which are pooled together to enable participants to participate in or receive profits arising from investments by CIS• Closed end funds are now regulated as CIS if<ul style="list-style-type: none">○ Falls under definition○ All / most of units cannot be redeemed at unitholders' discretion and○ Investment policy intended to give participants benefits of results of investment and not for operating a business• Principals governing CIS<ul style="list-style-type: none">○ Legislation and regulations○ Regulatory authority (MAS)○ Code on CIS (non-statutory, breach not liable to criminal proceedings) – best practices• Name of CIS – appropriate and not undesirable / misleading, NO 'capital protected' or 'principal protected'• Offers of CIS – authorised (if in Singapore) or recognised (outside Singapore) by MAS + approved or registered prospectus<ul style="list-style-type: none">○ <i>PENALTIES: \$150K 2 YEARS</i>• Authorised CIS (unit trusts)<ul style="list-style-type: none">○ Constituted by trust deed○ Set up by FMC who may act as manager○ Trustee appointed to safeguard interest of participants and independent of fund manager○ Distributed through fund distributors / banks to retail investors○ CONDITIONS<ul style="list-style-type: none">▪ Manager satisfy SFA requirement (hold CMS licence, fit and proper)<ul style="list-style-type: none">• If NAV is sub-managed, ensure that<ul style="list-style-type: none">○ Adequate procedures to monitor conduct of delegate○ Controls for compliance with trust deed law regulation○ If > 10% abroad, should be managing > \$500M of discretionary funds in Singapore, MAS will consider sub-manger reputation▪ Trustee approved under SFA<ul style="list-style-type: none">• Public company can act as Trustee if satisfy financial requirement and operational criteria by MAS• Not independent if any person has >20% interest in trustee and >20% interest in shares issued by manager or related corporation▪ Trust deed complies with requirement▪ Everyone comply with SFA, SFR-CIS and Code• If MAS refuse CIS, must give applicant an opportunity to be heard unless not in interest of public• Continual compliance for authorised CIS – <i>PENALTY: \$100K</i>• Operations pertaining to authorised CIS<ul style="list-style-type: none">○ Core investment and borrowing guidelines – comply with borrowing limits<ul style="list-style-type: none">▪ Specialized CIS (money market funds, hedge funds, capital guaranteed funds, index funds, property funds)○ Reporting of breaches – responsibility of trustee and managers<ul style="list-style-type: none">▪ Notify MAS within 3 business days except<ul style="list-style-type: none">• Appreciation / depreciation of value of CIS investments• Redemption of units / payments from CIS• Change in capital• Reduction in weight of components of benchmark tracked• Downgrade of credit rating• these as long as rectified within 3 months from breach date, extension must be satisfied by trustee that its best interest of participants○ Custody and control of CIS property	<ul style="list-style-type: none">○ Maintaining register of participants – by approved trustee<ul style="list-style-type: none">▪ Must have name and address▪ Extent of holding▪ Date entered and date ceased○ Account and reports – manager prepare<ul style="list-style-type: none">▪ Report don't need if period of < 3 months from start of launch date or period ending 1 month before maturity date▪ Prepare in time for trustee to audit before sending to participants▪ Trustee send the report to participants<ul style="list-style-type: none">• Semi annual report and accounts 2 month• Annual accounts report 3 months from end of FY▪ Report information<ul style="list-style-type: none">• Investments at market value and % of CIS NAV by country industry asset class credit rating• Top 10 holdings• Exposure to derivatives• Amount of CIS NAV in other CIS• Borrowings• Redemption and subscriptions• Related party transactions• Performance (3m, 6m, 1y, 3y, 5y, 10y)• Expense ratios• Turnover ratios• Any material information○ Winding up of CIS	<ul style="list-style-type: none">• If any authorised CIS that feed into CIS changes conditions relating to authorisation, inform MAS 14 days• Manager responsibilities<ul style="list-style-type: none">○ Records to be kept – instructions given to trustee about votes○ Record of soft dollars○ Payments from property of CIS<ul style="list-style-type: none">▪ No unfair payment▪ No fees that are not included in trust deed▪ No marketing or promotion expenses○ Transaction with related parties<ul style="list-style-type: none">▪ Securities issued by the manager<ul style="list-style-type: none">• Prohibits investing money of CIS in own securities unless constituents of reference benchmark, compliant with code▪ NO Lending money to manager related corporations▪ NO Purchase of real estate assets own by manager	<ul style="list-style-type: none">• Payment of redemption proceeds<ul style="list-style-type: none">○ Bond and money market T+4○ Other types of CIS T+6○ CIS that invest in another CIS T+7○ Property CIS (within period allowed under code 30)○ Hedge CIS (accordance with prospectus)○ Redemption request considered to be received if all document and information is received<ul style="list-style-type: none">○ Proceeds are paid if account credited/cheque mailed• When conflict of interest for voting rights of CIS, manager should exercise voting rights in consultation with trustee• Inform MAS of significant changes not later than 1 month (if cannot determine inform immediately)<ul style="list-style-type: none">○ Change in objective○ Increase in manager / trustee remuneration○ Increase in fees >0.1% NAV○ Replacement removal appointment of new manager○ Variation in rights or obligation of participants (material)○ Change from direct investment to feeder structure○ Change in collateral policy○ Change in underlying fund which CIS feeds substantially (30% NAV)• Obtain extraordinary resolution of participants for modification of trust deed unless the trustee certifies that<ul style="list-style-type: none">○ Not materially prejudice to interest of participants○ Necessary to comply with requirements○ Made to remove obsolete provisions• Should not charge cost arising from CPF failed trades to CIS• CIS outside Singapore may be recognized if<ul style="list-style-type: none">○ Law and practices of the jurisdiction equivalent to that of Singapore○ Manager for CIS must satisfy SFA requirement○ CIS must appoint representative who is resident in Singapore or company registered under companies act<ul style="list-style-type: none">○ CIS manager and trustee comply with SFA and Code• Responsible person for recognised CIS shall ensure that requirements continue to be satisfied• Responsible person shall furnish information or records regarding CIS• Representative<ul style="list-style-type: none">○ Facilitate issue and redemption of units○ Facilitate publishing of sale and purchase unit price○ Sending report to participants○ Furnish books relating to sale and redemption○ Facilitate inspection of instruments constituting CIS○ Maintain subsidiary register of participants who subscribed for units in Singapore○ Notify MAS within 14 days if any change in particulars of representative• If home authority impose any restriction, inform MAS 14 days• Application for authorization or recognition of CIS<ul style="list-style-type: none">○ Sub fund of umbrella fund treated as 1 CIS, need separate forms○ Lodge prospectus with written application for registration of prospectus (Form 6 and lodgement fee, 7-21 day of date of lodgement, valid 1 year)<ul style="list-style-type: none">▪ Any amendments must be made any time before▪ If amendment lodged with consent, the amendment date is same as lodge date else will be the amendment date▪ Prospectus	<ul style="list-style-type: none">• Basic information – name and place of constitution of CIS, date of registration and expiry• Manager name address track record• Representative name address• Name of trustee or custodian, whether licensed or regulated• CIS investment adviser• Structure of CIS (single or umbrella)• Investment objective focus and approach• If CIS under CPFIS• Fees and charges• Risks from markets countries sectors currencies• Steps for subscription of units• Regular savings plan

<ul style="list-style-type: none"> Realisation of units, how to redeem or sell, minimum realisation amount Procedure for switching of units How to obtain price of units Suspension of dealings information Past performance of CIS if applicable <ul style="list-style-type: none"> If > 1 year need 3,5,10 year If <12months and 30% asset value in underlying fund, need show the funds record else state that 1 year performance not available Comparison of past performance with another CIS / index / another investment <ul style="list-style-type: none"> at least 1 year Performance of manager or sub manager Future performance – cannot include prediction of CIS performance, doesn't apply to real estate related Performance benchmark Expense ratio and following are excluded from calculation <ul style="list-style-type: none"> Brokerage cost FX gain and loss Front end back end loads Tax deducted at source Turnover ratio Soft dollar commission – state if CIS that invest more than 10% asset value intend to receive soft dollars Conflict of interest Reports – state when participants can expect to receive 	<ul style="list-style-type: none"> How to settle balance between estimate and final amount <ul style="list-style-type: none"> Statement that CIS managed according to trust deed Keep records for 6 years 	<ul style="list-style-type: none"> MAS issue stop order – if any delay in stop order pending hearing is not in public interest <ul style="list-style-type: none"> Considered in force for 14 days but if <ul style="list-style-type: none"> Order served during hearing Hearing required has commenced Then stop order will be in force even after 14 day
<ul style="list-style-type: none"> Profile statement – abridge version of prospectus, can be used to accompany the offer of CIS but both prospectus and profile statement must be registered and made available If offeror is responsible person, need to be signed by every director and every person named as proposed director of responsible person If offeror is not responsible person, signed by every director and proposed director and director of offeror Product highlights sheets (prepared by issuers, for offers of unlisted CIS and exchange traded funds), submitted with prospectus Any exemptions must be done before lodge prospectus If application successful, MAS issue authorisation when <ul style="list-style-type: none"> Receive copy of signed trust deed Written confirmation from manager and trustee that trust deed complies with requirements For recognition, need approval letter from home regulator 	<ul style="list-style-type: none"> Additional requirements from prospectus Property Funds <ul style="list-style-type: none"> Proper diversifications Divestment policy Interested party transactions Real estate assets proposed to be bought (period and location and type) Expertise and experience of manager and employees and adviser Fees and commissions Frequency of valuation Risk of investing Frequency and procedure for redemption Additional requirements from prospectus Money market Funds <ul style="list-style-type: none"> First page to state <ul style="list-style-type: none"> Purchase different from placing funds in deposit with bank No guarantee fund meets objective MMF not guaranteed fund Disclose max % of deposited property that can be invested in derivatives Additional requirements from prospectus Capital guaranteed Funds <ul style="list-style-type: none"> Name and place of business of guarantor Guarantee doesn't give assurance on future solvency of guarantor Material terms of guarantee Consequence / implication to participants if guarantee's <ul style="list-style-type: none"> Manager retires removed or replaced Change in guarantor Applies to participants who hold investment until date specified in guarantee and any redemption before will be based on NAV of fund Dilution of performance due to guarantee structure Additional requirements from prospectus Hedge Funds <ul style="list-style-type: none"> Cover page shall clearly state <ul style="list-style-type: none"> Code does not prescribe investment guidelines for hedge funds Hedge fund carry different risks, may not be suitable for risk averse Investor may lose all if hedge fund is not capital guaranteed or protected Subject to guarantors credit risk Not intended to be complete investment program Frequency of redemption and period which proceeds will be paid Disclose difference between hedge fund and CIS Details of risk management and monitoring procedures and internal control Investor liability is limited to investment Capital protected only effective at maturity of hedge fund Additional requirements from prospectus futures and options fund <ul style="list-style-type: none"> First page <ul style="list-style-type: none"> Investment carries different risk from other CIS that don't short sell Investor may lose all if not capital guaranteed or protected Subject to guarantors credit risk Not intended to be complete investment program Type of futures that the fund will invest in Strategies used for diversification Additional requirements from prospectus currency fund <ul style="list-style-type: none"> Fund intends to use derivatives Risk profile and volatility Quant risk management limits Risk management process Amount and denomination of contracts underlying currencies that set aside for potential losses Method for determining exposure Additional requirements from prospectus recognised UCITS schemes <ul style="list-style-type: none"> Risk disclosures and portfolio management techniques If intend to use derivatives <ul style="list-style-type: none"> Type, details, extent If use derivative other than for hedging or efficient portfolio management If NAV will be volatile How to obtain supplementary information 	<ul style="list-style-type: none"> Supplementary/replacement documents – lodge after registered but before close of offer <ul style="list-style-type: none"> Lodged when false or misleading information Information omitted New circumstances Update information Supplementary document <ul style="list-style-type: none"> State type of document Which prospectus Any previous supplementary documents State must read with prospectus Replacement document <ul style="list-style-type: none"> State the type Which prospectus If offeror applied under original prospectus <ul style="list-style-type: none"> Within 2 days notify applicants on how to obtain documents Take steps to give document to applicants Within 7 days lodgement give applicants the documents Prospectus exemptions <ul style="list-style-type: none"> Offer is private placement < 50 person within 12 month No consideration given for issue or sale of CIS Total amount raised < \$5M Offer to institutional investor, accredited investor, close relatives and entities whose sole purpose is to hold investments Accredited investor <ul style="list-style-type: none"> Net personal assets > \$2M Income preceding 12 months >\$300K Corporation net assets > \$10M Advertisement restrictions if CIS pending approval <ul style="list-style-type: none"> If prospectus required, cannot advertise an offer inducing people to subscribe Cannot disseminate unless registered Before registered, this will not contravene <ul style="list-style-type: none"> Statement that identifies person making offer, responsible person and CIS Prospectus will be made available when offer is made Anyone wishing to acquire will need to make application in the manner set out in prospectus How to obtain copy of prospectus Investment focus of CIS Exemptions – regulatory disclosure, reports, notice or report of meeting, genuine comment that gives no benefit Product suitability – before CIS sold, need <ul style="list-style-type: none"> Customer knowledge assessment (1 year validity) <ul style="list-style-type: none"> Diploma or higher qualification Professional finance related qualification Transacted in CIS > 6 times in preceding 3 years Min 3 consecutive years of working experience in the past 10 years If fail CKA, need to be informed and can undergo learning module prescribe by MAS Alternatively can go ahead with safeguards ASEAN CIS framework – among Singapore, Thailand, Malaysia <ul style="list-style-type: none"> CIS must be approved in home country before application for approval in host country
<ul style="list-style-type: none"> MAS must be formed before can make offer of units MAS may withdraw authorisation / recognition once receive application in writing from responsible person unless <ul style="list-style-type: none"> Any matter to be investigated / not in public interest If revoke, MAS will direct responsible person to <ul style="list-style-type: none"> Refund all money contributed to participants Give participants option to receive refund or redeem units MAS will consider if CIS can liquidate property without adversely affecting participants <ul style="list-style-type: none"> Significant amount of funds invested Liquidity of property Penalty for liquidating property MAS will give opportunity to be heard unless wound up or dissolve, undischarged bankrupt or receiver manager or equivalent person has been appointed in Singapore in relation to any property of the offeror the responsible person or CIS <ul style="list-style-type: none"> Any appeal within 30 days to minister, decision will be final Winding up CIS 7 days notice, <i>PENALTY \$50K</i> <ul style="list-style-type: none"> Call a meeting of participants (notice 21 days) if <ul style="list-style-type: none"> Responsible person in liquidation Trustee is of view that responsible person ceased to carry on business Trustee is of view that responsible person failed to comply with trust deed Resolution to wind up passed by 75% of participants present and voting Report send to MAS within 14 days <ul style="list-style-type: none"> Statement that all assets have been realised and resultant proceeds distributed to participants If liabilities not settled <ul style="list-style-type: none"> Statement of fact Description of outstanding liabilities 	<ul style="list-style-type: none"> Cannot circulate copies of prospectus or profile statement before registered Cannot accept applicants before registered MAS issue stop order – stop issuing units if prospectus registered but MAS find that there are false misleading or omit information <ul style="list-style-type: none"> If applications made before stop order and not invested <ul style="list-style-type: none"> Application withdrawn or cancelled If issued to applicants then void Distribute money paid within 7 days of stop order Contributions invested then see MAS directions 	<p>CPF investment scheme</p> <ul style="list-style-type: none"> Eligibility <ul style="list-style-type: none"> 18 years Not undischarged bankrupt >\$20k in OA / >\$40K in SA How much <ul style="list-style-type: none"> Excess of \$20k and \$40k in OA and SA 35% of investible savings in shares property funds and corporate bonds 10% in gold ETFs FMC need to be included under CPFIS by applying to CPF board for each of investment product CPFIS admission requirements <ul style="list-style-type: none"> CMS licence for fund management or qualify for licence exemption 1 year track record as CMS licence holder >\$500M funds in Singapore or \$1B discretionary funds globally (FMC offers funds that would be sub managed by another FMC or funds that feed into CIS outside Singapore) 3 fund managers, 1 should have 5 year experience Sound financial position Regulatory compliance Member of IMAS and subject to code of ethics if IMAS

- Disclosures relating to production order or search warrant – disclose investigation details to others
 - PENALTY \$30K, 3 YEARS*
 - Failure to disclose knowledge or suspicion of illegal and STR
 - PENALTY \$20K*
 - Protection in reporting
 - Disclosure not treated as breach
 - Person making disclosure not liable for any loss arising
 - Identity wont be revealed
 - Record keeping
 - Retain financial transaction documents for 5 years
 - Opening closing of account
 - Operation of account
 - Opening or use of deposit box
 - Fund transfer (within and outside sg)
 - Loan application
 - Customer identification records
 - PENALTY \$10K*
 - Comply with production order within 7 days of date
 - PENALTY \$10K, 2 years*
 - Search warrant compliance
 - PENALTY \$10K, 2 years*
- Mutual assistance in criminal matters – help other countries investigation
- Terrorism suppression of financing act – criminalise terrorism and allows for seizure and confiscation of property
- MAS notice on prevention of money laundering – all capital market intermediaries are required to comply
- Guidelines on safeguarding financial system
 - Appropriate actions to meet recommendations of financial action task force
 - Enhanced due diligence and give attention to transaction or person from sanctioned countries
 - Protect against use of relationships to shield illicit activities
 - Freezing assets suspected when alerted
- Prohibition on transaction with Iran (unless approval)
 - No FI shall directly or indirectly
 - Enter into
 - Participate
 - Arrange / facilitate entering into
 - Continue to arrange or facilitate
 - Any transaction or business relationship with designated person
 - Government
 - Central bank
 - FI in Iran
 - And subsi or person related
- Tax evasion and serious fraudulent tax evasion counted as money laundering predicate offence
- Tax evasion – wilfully with intent evade or assist another person to evade tax
 - Omits income
 - False statement or entry in return
 - False answer
- Serious fraudulent tax evasion
 - Prepare / maintain / authorise preparation of any false book of accounts or records or falsifies books
 - Use fraud
- Improperly obtaining refund
 - Causes, attempt to cause the refund to that person by the comptroller of any amount in excess of amount properly refunded
- Know international regulations and note that most of these have been incorporated into Singapore laws and regulations
- Client onboarding – assess source of funds and wealth and reputation
 - Personal details – age education address ID employment family health
 - Corporation – incorporate, activity, business type, structure, shareholders
- KYC
 - Information
 - Investigate client background
 - Verify source of wealth
 - Current business and income
 - Political connection, business associates
 - Investment experience and knowledge
 - Risk appetite
 - Objective for account
 - Where to get
 - Internet

- Newspaper
 - Company reports
 - Database
 - Certificates
 - Documentation and verification
 - Individual – ID passport address
 - Corporates – business constitution documents board resolution ID signatories
 - Offshore companies – same as corporate
 - Trust structure – trust deed, trustee resolution
 - CMS holder must take step to identify identities of ultimate beneficial owners if customer is not natural person
 - Under risk based approach regulators allow CMS holder to accord risk score to different customer (determines review frequency)
 - PEP – prominent public function, immediate family member of such person, close associate of such person
 - Classified based on sensitivities (active status, subscription to database, system scanning)
 - Put in place Enhanced due diligence
 - Internal policies and procedures to identify and determine if customer or beneficial owner is PEP
 - Approval from CMI senior management to continue business relations
 - Source of wealth
 - Country
 - Activity
 - Size of wealth
 - Flow through
 - Last client visit date
 - Complex structure
 - Unusual services
 - Origin and destination of funds
 - Risk rating criteria
 - Country risk rating
 - Low risk – Singapore HK Japan Australia new zealand
 - High risk – Pakistan Vietnam
 - High risk shell company – British virgin island cayman island
 - Business risk rating
 - High risk – personal investment, gambling sports betting, remittance and money service, precious metal and diamond
 - Accountant lawyers notaries trustees offshore trustees – professions set up account for third party but may be conduits for money laundering, use their credibility as a front
 - Import export of retail items shipping containers
 - Trade based money laundering through trade pricing, multiple invoicing fabricating shipments
 - Non face to face verification must be as stringent as face to face
 - Simplified customer due diligence – companies listed on approved exchanges in FATF recognised countries, reliance on another financial intermediary that have alr conducted the due diligence
 - But if any doubts then full diligence
 - Enhanced due diligence – risk score high
 - Local and foreign politically exposed persons
 - Do not perform simple due diligence if suspected money laundering or terrorist financing
 - Red flags in account opening
 - Evasive about source of funds
 - Business activity inconsistent with business profile
 - Client background and profile don not match account relationship and conduct of account
 - Unexplained windfall or lump sum payment
 - Unclear purpose of account
 - Non-transparent ownership
 - PDPA – add disclosure clauses to TnC of account opening, failing so can breach bank secrecy provisions
 - reporting suspicious transactions filed (STR reporting office, commercial affairs) within 15 days
 - unable to complete CDD measures
 - customer reluctant to provide information
 - withdraw pending application / transaction
 - for fraud lodge police report and notify MAS
 - appoint central POC as liaison for regulators

Appendix

- compliance officer should be independent unless firm size is too small
- blackout period – cannot make personal transactions when client trades are being placed or recommendations are made

- breach of standards
 - improvement notice
 - first warning letter
 - final warning letter
 - dismissal or sanction
- investment in transferrable securities or money market instruments issued by single entity < 10% NAV
- aggregate investments in a group of entities < 20% NAV
- scheme may invest in security that is constituent of reference benchmark up to above limits or 2% above benchmark weight
- if issuing entity is government and BBB then 10% become 35%
- 10% doesn't apply if government and AA rating
- Financial derivative exposure < 100% NAV
- Borrowing allowed on temporary basis, period < 1 month, <10% NAV
- Var calculation methodology
 - If reference portfolio then < 1.5x of the VaR
 - If no reference portfolio < 20% NAV
 - Params
 - 99% CI, 1 month holding, updated quarterly, calculated daily
- Money market fund – term to maturity < 2 years, dollar weighted average < 12 months
- Short term money market fund – maturity < 397 days, dollar weighted average < 120 days