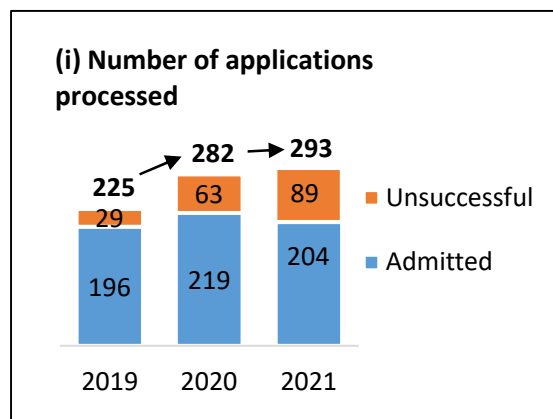


2021

Licensing & Registration Report for Capital Markets Intermediaries

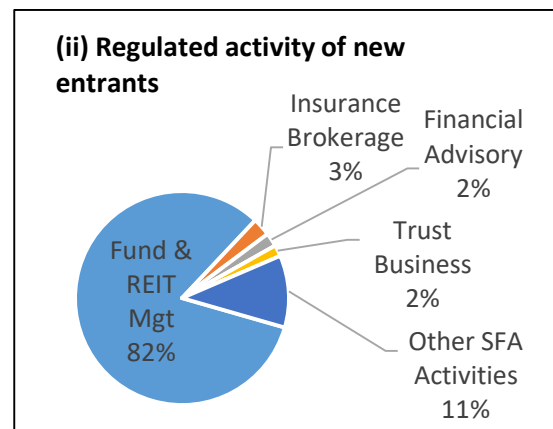
A. MAS processed 4% more applications than the previous year

In 2021, MAS processed 293 applications from capital markets intermediaries¹. This was 4% more than the 282 processed in 2020 – Graph (i).



B. Majority of applicants applied to conduct fund management activity

82% of applicants sought to conduct fund and REIT management activity – Graph (ii). Of these, about 40% were venture capital and private equity managers. They formed the largest group of fund management applicants, as with previous years.

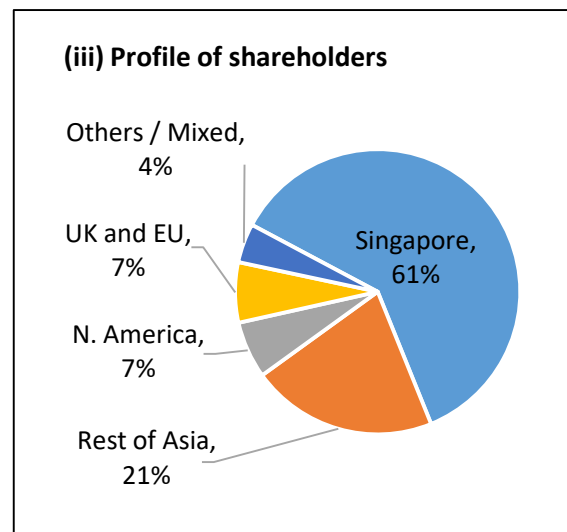


The remaining 18% of applicants applied to conduct other activities regulated under the Securities And Futures Act (SFA) such as dealing in capital markets products and advising on corporate finance; as well as insurance brokerage, financial advisory and trust business.

¹ Capital markets intermediaries refer to holders of Capital Markets Services (CMS) licences (e.g. fund managers, REIT managers, and broker-dealers), Financial Advisers, Trust Companies, Registered Insurance Brokers, Approved Trustees and Registered Fund Management Companies. They exclude applicants to the MAS FinTech Regulatory Sandbox.

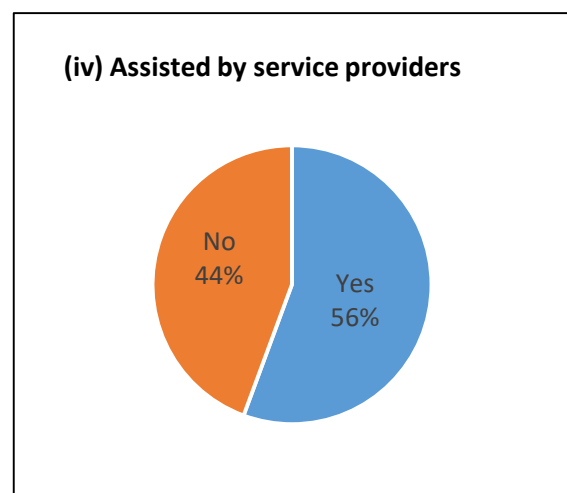
C. Almost two thirds of applicants originated from Singapore

61% of applicants had shareholders that were Singapore citizens or locally-incorporated entities – Graph (iii). This was larger than the 38% in 2020. For applicants with foreign shareholders, the majority were from countries in Asia such as China and India. This was similar to 2020.



D. More applicants used service providers in 2021

More applicants engaged service providers such as specialist compliance service firms, law firms and accounting firms in 2021. Service providers assisted with 56% of applicants – Graph (iv), compared to 47% in 2020. This was a positive development as applications assisted by service providers tended to be more complete and had fewer errors. This helped reduce the time taken to process applications. However, there was varying quality in the submissions handled by different service providers. MAS plans to provide feedback to service providers on the quality of their submissions, with the aim of raising the quality of applications and improving alignment with MAS' expectations of applicants.



E. Processing time depends on applicant profile and quality of application; processing time commitment revised for new applications

The processing time for applications depends on the profile and business model of the applicant and the quality of the application. Generally, applicants can expect shorter processing times if they are part of a regulated financial services group, have well-articulated and coherent business and staffing plans; and do not have any prior adverse records.

Due to the high volume of applications, as well as an increase in applications which had gaps or inconsistencies in the information submitted, processing time increased for most types of applications in 2021 – Table (v).

Table (v)

Type	Capital Markets Services Licence (CMSL) Holder ²	Financial Adviser, Registered Insurance Broker, Licensed Trust Company (LTC), and Approved Trustee	Registered Fund Management Company (RFMC)
2021			
Admitted	104	16	51
Median Time Taken	3.8 months	3.1 months	4.3 months
Mean Time Taken	4.4 months	2.7 months	4.8 months
2020			
Admitted	103	12	54
Median Time Taken	3.6 months	3.2 months	4.2 months
Mean Time Taken	4.0 months	3.2 months	4.3 months

² Excludes applications made under the VC fund manager (VCFM) regime. For 2021, MAS approved 33 such applications. Median processing time was 2.5 months; mean time taken was 2.8 months. MAS approved 50 VCFM applications in 2020. Median processing time was 1.5 months; mean time taken was 1.8 months.

With effect from 1 March 2022, MAS revised its committed processing time from 4 months to 6 months for CMSLs, RFMCs, approved trustees and LTCs; and from 2 months to 4 months for VCFMs. The committed processing time for other types of corporate licence applications remain unchanged at 4 months. The revised processing times are comparable with other major regulators and will enable applicants to better plan for the set-up of their operations in Singapore.

F. 30% of applicants were unsuccessful

30% of applicants were unsuccessful in obtaining a licence or registration in 2021, an increase from 22% in 2020.

Inadequate commitment and control by the management team

Many unsuccessful applications were due to the applicant's inability to demonstrate that it was committed to a long term, bona-fide business in the regulated activity applied for. Many unsuccessful applicants were fund managers that had passive shareholders whose motivations for holding a majority stake in the fund management company were not clear. Moreover, there were no meaningful mechanisms in place to anchor the management team, which was distinct and separate from the shareholders.

Passive shareholders without any meaningful track record in the regulated activity may compromise the ability of the company's management team to act in the best interests of customers. These shareholders may not share in the objective of building a sustainable regulated business. They may have other considerations for seeking to own a licensed or registered entity, such as wanting to obtain regulatory credibility to benefit other business ventures.

The management team is accountable for operating the business in the interest of customers, and in compliance with applicable laws. Therefore, it is important that the management team has adequate shareholding control of the company that would allow them to direct the company's activities without undue influence from stakeholders who may have differing interests. Having a management team whose long-term interests are aligned with the company also enhances stability in the operations and governance of the company, and minimises disruptions which may be detrimental to customers and investors.

As fund management companies have an ongoing obligation to manage moneys entrusted to them by investors, MAS will continue to work with applicants on mechanisms to anchor the management team to the fund management business and promote stability of the management team. For example, this may include requiring the CEO and executive directors to collectively own a controlling stake where the shareholders are not part of a regulated financial services group.

Applicants not meeting admission criteria, with serious adverse records or not committed to the proposed business

MAS also turned away applicants that did not fully meet our admission criteria, did not provide full disclosure of adverse records and how they have been addressed, or which had business models that did not qualify for a licence or registration. For instance, an applicant would not qualify for a fund management licence or registration if the applicant sets up fund structures for customers without conducting any discretionary portfolio management activity for the fund. MAS' Guidelines and FAQs provide more examples of such business models. There were also applicants that did not provide credible business plans, and others that made frequent changes to the plans during the review process. All submissions must include credible and coherent business plans, and applicants are advised to defer their applications if they are not ready to submit all the required information for a licence or registration, for example, on appointment holders and key personnel.

Service providers can play a greater role in the application process

Service providers assisting with licence and registration applications should ensure that the business plans of their clients reflect the substance of the client's intended business model. Applicants should not structure their business plans solely to meet licensing or registration requirements or withhold relevant information about the company's intended activities. It is also important that applicants make full disclosures of any adverse records. MAS will not hesitate to act against applicants who provide false or misleading information, or omit material information in their applications.

June 2022