



Fund management in Singapore

A summary of the regulatory and tax framework

An evolving regulatory landscape

Introduction

This document summarises the key features of the different licensing requirements and restrictions on business operations for fund management companies in Singapore, along with details on the specific tax incentives schemes for funds managed by Singapore-based fund managers.

Regulatory framework

Fund management activities in Singapore are regulated under the Securities and Futures Act (Cap. 289) (SFA) and entities engaged in these activities must be registered with the Monetary Authority of Singapore (MAS) as a Registered Fund Management Company (RFMC), and either hold a Capital Markets Services (CMS) licence for fund management as a Licensed Fund Management Company (LFMC) or be expressly exempted from holding a CMS licence.

The following table summarises the principal requirements.

Table 1. Summary of key regulatory compliance requirements

	RFMC	LFMC – A/I	LFMC - Retail
Type of approval	Notification	Licence Application	Licence Application
Type of investors	Qualified Investors ¹	Qualified Investors ¹	No restrictions
Number of investors	Up to 30 investors (of which no more than 15 may be funds or limited partnership fund structures).	No restrictions	No restrictions
Assets under management (AUM)	Not more than S\$250 million	No restrictions	No restrictions
Minimum base capital funds	At least S\$250,000	At least S\$250,000	At least S\$500,000 (non-CIS) or S\$1 million (CIS)
Risk-based Capital (RBC) adequacy requirement	None	Financial resources at least 120% of operational risk requirement.	Financial resources at least 120% of operational risk requirement.
Professional Indemnity Insurance (PII)	Not mandatory, but recommended	Not mandatory, but recommended	Mandatory
Directorship	Minimum 2 directors with at least 5 years of relevant experience, of which at least one is an executive director and full-time resident of Singapore.	Minimum 2 directors with at least 5 years of relevant experience, of which at least one is an executive director and full-time resident of Singapore.	Minimum 2 directors with at least 5 years of relevant experience, of which at least one has more than 10 years of relevant experience, is an executive director and full-time resident of Singapore.
Relevant professionals (inclusive of directors, CEO and representatives of the FMC)	Minimum 2 relevant professionals with at least 5 years of relevant experience and full-time resident of Singapore.	Minimum 2 relevant professionals with at least 5 years of relevant experience and full-time resident of Singapore.	Minimum 3 relevant professionals with at least 5 years of relevant experience and full-time resident of Singapore.

¹ A Qualified Investor generally refers to an accredited investor, a collective investment scheme (CIS) offered in Singapore only to accredited and/or institutional investors, a closed-end fund offered only to accredited and/or institutional investors, an institutional investor, or a limited partnership comprising solely of partners who are accredited and/or institutional investors.

	RFMC	LFMC – A/I	LFMC - Retail
Representatives	Minimum 2 representatives and full-time residents of Singapore.	Minimum 2 representatives and full-time residents of Singapore.	Minimum 2 representatives and full-time residents of Singapore.
Examination requirements	Not mandatory	Not mandatory	Mandatory
Corporate track record	None	May be applicable	Shareholder of the FMC, or the FMC, has a corporate track record of operating a regulated entity conduct fund management for retail investors in an equivalent jurisdiction for at least 5 years and managing a global AUM of at least S\$1 billion.
Custody arrangement	Mandatory for all FMCs to place customers' monies and assets with a custodian who is licensed, registered or authorised (to perform custodial function) in the jurisdiction where the monies or assets are being held.		
Fund administration	Mandatory for all FMCs to ensure independence, or adequate segregation of duties, particularly in the performance of functions such as valuation or fund accounting, acting as a fund register, and client reporting (e.g. sending of monthly account statements).		
Compliance arrangement	No requirement for a dedicated compliance function – may take the form of an independent compliance function, compliance support from overseas affiliates and/or use of external service providers.	For AUM of minimum S\$1 billion, compliance function to be dedicated and independent from front office – for those carrying out only research and advisory activities, may obtain compliance support from an independent and dedicated compliance team at holding company or at an overseas related entity. Otherwise, function may be outsourced.	Compliance function to be dedicated and independent from front office – for those with AUM exceeding S\$1 billion but carrying out only research and advisory activities, may obtain compliance support from an independent and dedicated compliance team at holding company or at an overseas related entity.
Internal audit	Mandatory for all FMCs to be subject to adequate internal audit that is commensurate with the nature, scale and complexity of business operations. Internal audit may be in-house, from Head Office or outsourced to an external service provider.		
Independent audit	Mandatory for all FMCs to have an external audit arrangement in place for annual independent audit of financial statements and provide an auditor's report to the MAS on their compliance with key licensing and business conduct requirements.		
Risk Management Framework	Mandatory for all FMCs to have a risk management framework with appropriate tools and methodologies to ensure timely identification, measurement, monitoring and reporting of risks.		
Anti-Money Laundering (AML) Framework	Mandatory for all FMCs to put in place an anti-money laundering framework to identify, assess, understand and address its money laundering and terrorism financing risks.		
Reporting requirements	Annual reporting	Quarterly and annual reporting	Quarterly and annual reporting

Tax framework

Singapore is a key location for managers of private equity, real estate and hedge funds to be based in, especially for investments into the Asia Pacific region. Singapore is also increasingly being used as a preferred location for fund vehicles (funds).

The outstanding growth of the fund management industry in Singapore can be attributed to several factors, including the ease of doing business in Singapore and attractive tax incentives for funds and fund managers. Outside of the traditional offshore funds jurisdictions such as the Cayman Islands, Singapore is regarded as having one of the most attractive regulatory and tax regimes for funds and fund managers.

Singapore tax exposure of funds managed by a Singapore fund manager

Funds which are managed by a Singapore-based fund manager may be liable to tax in Singapore due to the activities of the fund manager in managing the investments of the fund. The fund manager may create a taxable presence in Singapore for the fund (whether onshore or offshore) and, therefore, certain income and gains derived by the fund may be considered as Singapore-sourced and liable to tax in Singapore. However, this tax liability could be eliminated under Singapore's tax incentive schemes for funds, provided that certain conditions are met.

Summary of key features and conditions of tax incentive schemes in Singapore for funds

There are three main tax exemption schemes available to funds managed by fund managers in Singapore under which "Specified Income" (including gains) derived by the fund from "Designated Investments" is exempt from tax. All funds that are subject to any of the following tax incentive schemes as at 31 March 2019 may enjoy the tax exemption for the life of the fund, subject to the funds continuing to meet the relevant conditions of each scheme.

The table below summarises the key features and conditions of tax incentive schemes in Singapore for funds.

Table 2. Summary of key features and conditions of tax incentive schemes in Singapore for funds

	Offshore Fund Tax Exemption Scheme (Section 13CA of the SITA)	Onshore (Singapore Resident Company) Fund Tax Exemption Scheme (Section 13R of the SITA)	Enhanced Tier Fund Tax Exemption Scheme (Section 13X of the SITA)
Scheme exemption	Specified Income from Designated Investments ² is tax-exempt ³		
Fund's legal form	Companies, trusts and individuals ⁴	Company incorporated in Singapore	Companies, trusts (exceptions apply) and limited partnerships (no look-through)
Fund's residence	Non-tax resident of Singapore with no presence in Singapore (other than the Singapore fund manager and/or Singapore-based trustee if the fund is organised as a trust). Must not be 100% beneficially owned, directly or indirectly, by Singapore investors (excluding another approved onshore fund holding 100% of the shares in the offshore fund).	Must be tax resident of Singapore. Onshore fund must not be 100% beneficially owned by Singapore investors (excluding another approved onshore fund holding 100% of the shares in the onshore fund).	No restrictions

² The list of designated investments covers a wide range of investments, including stocks, shares, securities and derivatives. A key exclusion is immovable property in Singapore (and shares in unlisted companies which own such immovable property other than for property development purposes). The list is constantly revised to keep abreast of the market changes and new financial instruments.

³ The exemptions are currently available until 31 March 2019, unless further extension is granted.

⁴ A limited partnership cannot be a qualifying offshore fund as it is treated as transparent for Singapore tax purposes. The applicable tests to determine if a fund is a qualifying fund would thus be applied at the level of the partners of the limited partnership. The partner in such limited partnerships would need to meet the qualifying conditions.

	Offshore Fund Tax Exemption Scheme (Section 13CA of the SITA)	Onshore (Singapore Resident Company) Fund Tax Exemption Scheme (Section 13R of the SITA)	Enhanced Tier Fund Tax Exemption Scheme (Section 13X of the SITA)
Fund manager	Singapore-based and holding a CMS licence or expressly exempted from holding a CMS licence or as otherwise approved by the Minister.	Singapore-based and holding a CMS licence or expressly exempted from holding a CMS licence or as otherwise approved by the Minister.	Singapore-based and holding a CMS licence or expressly exempted from holding a CMS licence or as otherwise approved by the Minister.
Investors	Non-qualifying investors (i.e. Singapore non-individuals investing above a certain percentage in the fund) would need to pay a penalty to the Singapore tax authorities. Cannot be 100% beneficially owned by Singapore Investors. ⁵	Non-qualifying investors (i.e. Singapore non-individuals investing above a certain percentage in the fund) would need to pay a penalty to the Singapore tax authorities. Cannot be 100% beneficially owned by Singapore Investors. ⁵	No restrictions on Singapore investors.
Assets under management (AUM)	No restrictions	No restrictions	Minimum of S\$50 million (committed capital concession available for real estate, infrastructure and private equity funds).
Fund expenditure	No restrictions	At least S\$200,000 business spending in a year.	At least S\$200,000 local business spending in a year.
Fund administrator	No restrictions	Singapore-based	Singapore-based if the fund is a Singapore-incorporated and resident company.
Approval requirement	No approval needed from MAS.	Approval required from MAS. No change in investment strategy allowed after approval.	Approval required from MAS. No change in investment strategy allowed after approval.
Other tax features	Not applicable	Access to the Singapore Double Tax Treaty Network.	May have access to the Singapore Double Tax Treaty Network (e.g. where the fund is a Singapore resident corporate entity). Cannot concurrently enjoy other tax incentives. Scheme is applicable to a Master-Feeder structure ⁶ , subject to conditions which would need to be satisfied to apply the economic conditions on a collective basis.

⁵ Excluding another approved onshore fund holding 100% of the shares in the fund.

⁶ This includes a structure holds investments via special purpose vehicle(s) under a Master-Feeder-SPV or Master-SPV structure.

	Offshore Fund Tax Exemption Scheme (Section 13CA of the SITA)	Onshore (Singapore Resident Company) Fund Tax Exemption Scheme (Section 13R of the SITA)	Enhanced Tier Fund Tax Exemption Scheme (Section 13X of the SITA)
Reporting requirement	Annual Statements to investors. Tax filing to the Inland Revenue of Singapore (IRAS) for Non-Qualifying investors.	Annual Statements to investors. Tax filing to IRAS for Non-Qualifying investors.	Not required
Income tax filing*	Not required	Annual tax returns to IRAS	Annual tax returns to IRAS
*Current position generally taken			
Annual declarations to MAS	Not required	Required	Required

Financial Sector Initiative – Fund Management Award (FSI – FM)

Under the FSI-FM, fee income derived by a Singapore fund manager from managing or advising a fund is taxed at a concessionary tax rate of 10% instead of the prevailing corporate income tax rate of 17%, subject to certain conditions and MAS approval.

For new applicants to qualify for a minimum five-year award, the general qualifying criteria are as follows:

- Fund manager must hold a CMS licence or be expressly exempted from holding a CMS licence in respect of its fund management activities or be otherwise approved by the Minister;
- Fund manager must employ at least three experienced investment professionals each earning at least S\$3,500 per month and substantially engaged in the qualifying activity; and
- Fund manager must have a minimum AUM of S\$250 million.

The MAS may also consider other factors - for example, projections for growth in professional headcount, AUM and business spending - when considering the grant of the incentive.

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