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# *A new landscape for Fund Management Companies*

*Are you ready?*

MAS  
Enhanced Fund  
Management  
Regime

August 2012

## How the enhanced regime impacts you

The Monetary Authority of Singapore (“MAS”) issued the much-anticipated enhanced regulatory regime for Fund Management Companies (“FMCs”). These take effect 7 August 2012, with certain transition provisions.

Overall, it is a progressive regulation. It brings back focus on an often forgotten fundamental principle that fund managers have a legal and professional duty to exercise due care to investors they serve, with or without regulations. It also brings back focus on how all FMCs must play a role in ensuring the sustainability of Singapore’s fund management industry, which is critical to ensuring the long term success of their businesses.

The issues are not only linked to adhering to the enhanced requirements but understanding what the impact of implementing or not implementing means to a FMC and how the requirements will change its operational model. Thus questioning a FMC business strategy and raises concern on the interpretation of the requirements and the cost of implementation.

## Which FMC category do you fall into?

FMCs will need to evaluate which of the two categories of FMCs they now fall into as each of them have varying licensing and regulatory requirements.

The two categories are:

- Licensed FMCs – retail; accredited investors
- Registered FMCs

## What are the key enhanced requirements?

- Enhanced Capital Requirements
- New Competency Requirements of Key Individuals
- Risk Management
- Compliance Arrangements
- Independent Annual Audits and Internal Audit
- Ongoing business conduct rules
  - Independent custody of assets
  - Independent valuation
  - Measures to mitigate identified conflicts of interest
  - Appropriate disclosures to customers
  - etc

## Implementation challenges

### Areas:

- Annual Audit
- Internal Audit
- Risk Management
- Compliance
- Enhanced business operations

Exempt Fund Managers will face the biggest challenge, as it could mean re-visiting their business strategy. Issues may arise in areas such as identifying the key implications of requirements to the business strategy, business model, profitability/cost, and people/resources.

Time and resource to get things done may be another implementation challenge, even though the issues may not be difficult. This could apply to simple issues such as resourcing, document policies and procedures and organising independent audits and compliance services.

Many of the requirements are principles-based. There will be challenges to define the standards that is not only reasonable to meet the principle prescribed. External assistance may be required in benchmarking standards to the industry and to provide a basis for FMCs to meet the expectations of the regulators.

## What are your next steps?

Scope	Feasibility	Action Plan
Identifying all requirements	Assessing the implications	Developing a clear action plan to meet compliance requirements

## How PwC can assist

Audit	Operational	Outsourced Services
<ul style="list-style-type: none"> <li>• Annual Audit (including Form 25B)</li> </ul>	<ul style="list-style-type: none"> <li>• Inventorising of all regulatory obligations</li> <li>• Advising on standards for implementation of regulatory requirements, risk management, compliance monitoring etc.</li> <li>• Diagnostic review of gaps in policies &amp; procedures</li> </ul>	<ul style="list-style-type: none"> <li>• Internal Audit</li> <li>• Compliance support including returns</li> <li>• Regulatory updates</li> <li>• Tax Advisory &amp; Compliance</li> <li>• Corporate Services</li> </ul>