Fund Management, External Asset Managers and Licensing: practical consequences

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For clients

A client who entrusts assets to a Singapore manager should first establish its regulatory status. MAS publishes a directory of financial institutions and a register of representatives, which show whether a firm holds a licence and which individuals are appointed to act for it.[1] The client should also check whether the firm carries professional indemnity insurance, since an A/I manager must disclose whether it has any.

The contractual documentation deserves equal attention. The limited power of attorney should exclude transfers to third parties, while the mandate should define the strategy and restrictions precisely. The fee clause should cover all payments the manager receives. A client should also understand that, by opting in as an accredited investor, he gives up part of the protection available to retail investors. That choice suits most wealthy clients of external managers, but it should be made consciously.

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For managers

A firm that wishes to establish itself as a manager in Singapore must plan for a review of up to six months for a complete application, and longer for a complex or incomplete one, followed by up to six months to satisfy the conditions of the in-principle approval. It needs a team that meets the competency requirements from the first day, a credible business plan, a real office and an ownership structure in which the managers control the firm. It must then live with continuous obligations: returns, notifications of changes, annual audits, independent custody and valuation, and a compliance programme that the chief executive owns. Firms that came from the registered regime have learned that MAS reviews conduct as well as documents.

Checklist for practitioners

- Confirm that the manager holds a capital markets services licence for fund management, identify its category (retail, A/I or venture capital) and check any licence condition, such as an assets under management cap inherited from the former registered regime.
- Verify that each client served by an A/I manager meets the accredited investor thresholds, has opted in in writing and is reviewed periodically.
- Check that the chief executive and executive directors are resident in Singapore, meet the experience requirements and hold a controlling stake where the firm is not part of an established business group.
- Confirm independent custody with a suitably authorised bank or custodian and independent valuation by a third party or a segregated function.
- Review the investment management agreement, the limited power of attorney and the cooperation agreement with the custodian bank, including the exclusion of payments to third parties.
- Obtain a written statement of all fees, retrocessions and other payments that the manager receives in connection with the account.

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- Identify the person responsible for compliance, check that he or she is independent of the front office and, where an external provider is used, review its qualifications, presence and scope of work.
- Confirm compliance with Notice SFA 04-N02 and the coordination of due diligence with the custodian bank.
- Check professional indemnity insurance and continuity arrangements in case the founder becomes unavailable.

Notes

1. Monetary Authority of Singapore, Financial Institutions Directory, eservices.mas.gov.sg/fid, and Financial Institution Representatives Register, eservices.mas.gov.sg/rr (both accessed November 2026). ↩

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