The Securities and Futures Act and capital markets services

Dr Alexander Ressos, TEP
Of Counsel, KGP Legal LLC
Attorney-at-Law (Switzerland and Germany), Solicitor (England & Wales and Hong Kong)

The consolidation of 2001 and 2002

Before 2002, Singapore's capital markets were governed by several statutes, including the Securities Industry Act and the Futures Trading Act. Parliament passed the Securities and Futures Act and the Financial Advisers Act in October 2001. The SFA came into force in phases, with stages in January and May 2002 and a final phase on 1 October 2002, when the older statutes were repealed.[1] MAS described the new Act as a modern framework for markets, clearing facilities, licensing, conduct of business, disclosure of interests and market conduct.

The most visible innovation was a single, modular licence for intermediaries. One capital markets services licence could cover one or more regulated activities, which, in the words of MAS, would reduce capital and compliance costs.[2] Representatives were required to pass examinations linked to their activities. A new examination structure of nine modules took effect on 1 December 2002. The architecture of 2002 survives in its essentials. A firm still obtains one licence and adds or removes activities as its business changes.

The capital markets services licence

Section 82 of the SFA provides that no person may carry on business in any regulated activity, or hold out that it does so, unless it holds a capital markets services licence for that activity. A breach is punishable by a fine of up to 150,000 dollars, imprisonment for up to three years or both, with a further daily fine for a continuing offence.[3] The licence is granted only to a corporation. Individuals who conduct a regulated activity for the licence holder must be appointed, provisional or temporary representatives, whose names appear in a public register.

The regulated activities are listed in the Second Schedule to the SFA. There are seven of them: dealing in capital markets products, advising on corporate finance, fund management, real estate investment trust management, product financing, providing custodial services and providing credit rating services.[4] Fund management is the activity most relevant for wealth management. Chapter E.V describes its licensing and conduct regime in detail. Custodial services matter for anyone who holds securities through a Singapore intermediary, since the custody rules determine whether client assets remain separate in an insolvency.

Copyright © 2026 Dr Alexander Ressos, TEP – Of Counsel, KGP Legal LLC. SingaporeIQ is an information website and gives no legal advice. For Singapore law advice through KGP Legal LLC, please write to alexander.ressos@kgplegal.com.sg

The breadth of the dealing activity becomes clear from the definition of capital markets products, which covers securities, units in collective investment schemes, derivatives contracts and spot foreign exchange contracts for leveraged foreign exchange trading, as well as other products MAS may prescribe.[5] A firm that wishes to manage discretionary accounts needs the separate activity of fund management, even if it already holds a licence for dealing. MAS regards discretionary management as fund management because it hands investment decisions over to the firm.

The amendments of 2017

The SFA was substantially revised by the Securities and Futures (Amendment) Act 2017, which Parliament passed on 9 January 2017. Most of its provisions became operative on 1 and 8 October 2018. The amendments completed the reform of over-the-counter derivatives regulation after the global financial crisis, transferred oversight of commodity derivatives from Enterprise Singapore under the Commodity Trading Act to MAS and introduced new regimes for financial benchmarks and short selling.[6] They also replaced the separate activities of dealing in securities, trading in futures contracts and leveraged foreign exchange trading with the single activity of dealing in capital markets products, which now includes dealing in over-the-counter derivatives.

For the wealth management sector, the most consequential change concerned investor classes. The amendments refined the definitions of accredited and institutional investors and introduced an opt-in regime. Under it, an individual who meets the financial criteria is treated as an accredited investor only if he or she agrees to that status. The change reversed the burden of choice. Before the reform a wealthy client could be treated as a sophisticated investor without having been asked, while afterwards the client had to consent before losing the protections reserved for retail investors.

Retail, accredited and institutional investors

The accredited investor definition in section 4A of the SFA is the gateway to most of private banking in Singapore. An individual qualifies through net personal assets exceeding two million dollars, through financial assets net of related liabilities exceeding one million dollars or through income of at least 300,000 dollars in the preceding twelve months. The value of the primary residence, net of any secured loan, may contribute at most one million dollars to the net personal assets threshold under section 4A(1A). MAS has explained that the primary residence is the home in which the investor lives most of the time, wherever it is located.[7]

The opt-in regime, introduced by the Securities and Futures (Classes of Investors) Regulations 2018, commenced on 8 January 2019.[8] Institutions were initially given three months to offer existing clients the choice of opting out. After requests from the industry, MAS extended the transition until 7 April 2019.[9] MAS had set out its policy positions as early as 2015. The timetable shows MAS's typical approach to reform: consultation several years ahead, publication of the policy, enactment and then a short final transition. Firms that ignored the early signals had little time left at the end.

Accredited investor status has practical consequences throughout the regulatory system. Offers of securities and fund units to accredited investors are exempt from the prospectus requirements. Fund

Copyright © 2026 Dr Alexander Ressos, TEP – Of Counsel, KGP Legal LLC. SingaporeIQ is an information website and gives no legal advice. For Singapore law advice through KGP Legal LLC, please write to alexander.ressos@kgplegal.com.sg

managers serving only accredited and institutional investors face lighter requirements, while many conduct rules on product recommendations apply in modified form. The status also governs access to many structures discussed in Chapters E.III and E.IV. For the client, the decision to opt in therefore has real weight, because it trades protection for access.

Market conduct and civil penalties

Part XII of the SFA prohibits market misconduct, including false trading, market manipulation, false or misleading statements and insider trading. Its distinctive feature is a civil penalty regime that runs alongside criminal prosecution. MAS may, with the consent of the Public Prosecutor, bring civil proceedings under section 232. In such proceedings the court may order a penalty of up to three times the profit made or the loss avoided, or up to two million dollars where that sum is greater. The statutory minimum is 50,000 dollars for an individual and 100,000 dollars for a corporation.[10]

Although the law allows settlements without an admission of liability, MAS has made it a consistent policy to settle civil penalty cases only on the basis of such an admission. It regards the reputational consequences of the admission as part of the deterrent effect. Since 17 March 2015, MAS officers have also exercised criminal investigation powers in joint investigations with the Commercial Affairs Department of the police into market misconduct offences. On 17 March 2018 the arrangement was extended to all offences under the SFA and the FAA.[11] The joint model gives MAS investigators the tools of the police while keeping the regulator's expertise in the investigation.

Notes

1. Monetary Authority of Singapore, "Media Release for the Implementation of the SFA and FAA", 11 September 2002: Parliament passed the SFA and FAA in October 2001; the SFA was implemented in phases in January 2002, May 2002 and on 1 October 2002; the Securities Industry Act and the Futures Trading Act are repealed.
2. Monetary Authority of Singapore, "Media Release for the Implementation of the SFA and FAA", 11 September 2002, on "a single, modular licensing framework" for capital markets intermediaries.
3. Securities and Futures Act 2001, s. 82(1) and (3), as reproduced by LawPlayer (lawplayer.com/sg/act/SFA2001/82, accessed November 2026).
4. Monetary Authority of Singapore, *FAQs on Licensing and Business Conduct (Other than for Fund Management Companies)*, reissued 11 December 2025, Q1–Q2: the seven regulated activities of the Second Schedule; a CMS licence is granted only to a corporation.
5. Monetary Authority of Singapore, *FAQs on Licensing and Business Conduct (Other than for Fund Management Companies)*, reissued 11 December 2025, n. 1 (definition of "capital markets products").
6. Clifford Chance, "Major Changes to Singapore Capital Markets Regulatory Framework Implemented", October 2018, pp. 1–2.
7. Securities and Futures Act 2001, s. 4A(1)(a)(i)(A)–(C) and s. 4A(1A), as reproduced by LawPlayer (lawplayer.com/sg/act/SFA2001/4A, accessed November 2026): net personal assets exceeding S$2 million, financial assets net of related liabilities exceeding S$1 million, or income in the preceding 12 months of not less than S$300,000; the primary residence counts at the lower of its net value and S$1 million. Monetary Authority of Singapore, *FAQs on the Definition of Accredited Investor and Opt-In Process* (last updated 8 October 2024), Q5, citing

Copyright © 2026 Dr Alexander Ressos, TEP – Of Counsel, KGP Legal LLC. SingaporeIQ is an information website and gives no legal advice. For Singapore law advice through KGP Legal LLC, please write to alexander.ressos@kgplegal.com.sg

para. 6.44 of MAS's response to feedback of 22 September 2015: the primary residence is the home where the investor lives most of the time, in Singapore or overseas.

8. Clifford Chance, "Major Changes to Singapore Capital Markets Regulatory Framework Implemented", October 2018, p. 4: the "opt-in" regime under the Securities and Futures (Classes of Investors) Regulations 2018 "will commence on 8 January 2019".
9. Monetary Authority of Singapore, *FAQs on the Definition of Accredited Investor and Opt-In Process*, version of 4 February 2019, Q4; the current version (8 October 2024) no longer contains the transitional answer.
10. Securities and Futures Act 2001, s. 232(2)–(3), as reproduced by LawPlayer (lawplayer.com/sg/act/SFA2001/232, accessed November 2026): a civil penalty "not exceeding the greater of" three times the profit gained or loss avoided and S$2 million, and not less than S$100,000 for a corporation and S$50,000 in any other case. Monetary Authority of Singapore, *Enforcement Monograph*, version 1.2, 1 July 2025, paras 3.6 and 6.10–6.11.
11. Monetary Authority of Singapore, *Enforcement Monograph*, July 2025, para. 6.12 and n. 14, referring to ss. 232(4)–(5) of the SFA. Monetary Authority of Singapore, *Enforcement Monograph*, July 2025, paras 3.4 and 5.8.

Copyright © 2026 Dr Alexander Ressos, TEP – Of Counsel, KGP Legal LLC. SingaporeIQ is an information website and gives no legal advice. For Singapore law advice through KGP Legal LLC, please write to alexander.ressos@kgplegal.com.sg