

Facilitating the Growth of Single Family Offices (“SFOs”) in Singapore

The Monetary Authority of Singapore (“MAS”) has recently issued its response to the feedback received from the public consultation on the proposed framework for SFOs on 6 November 2024. This consultation, initiated in July 2023, aimed to refine the regulatory landscape for SFOs operating in Singapore, ensuring a balance between growth and regulatory oversight.

Key Highlights of the MAS response:

1. Ownership and Structure Flexibility::

- The MAS has introduced a structure-agnostic class exemption for SFOs, replacing the previous exemption regime.
- Responding to industry feedback, the MAS is allowing SFOs to be structured through various vehicles such as trusts and foundations or any other structure, provided they are solely funded by family assets.
- This flexibility aims to accommodate diverse family office structures while maintaining regulatory integrity.

2. Structures That SFOs Can Manage Monies For

- SFOs are permitted to manage funds on behalf of family members, including family trusts and corporations wholly owned by and for the sole benefit of the family.
- In addition, family trusts and foundations which are managed by the SFO, may designate charitable organisations as beneficiaries. Such arrangement will be permitted as long as such beneficiaries do not have control over the trust or foundation assets and are merely designated to receive the benefits.

3. Non-Family Key Employees

- The MAS now permits an SFO to manage monies for key employees which would refer to executive directors, chief executive officer, chief financial officer and investment professionals.
- As a mechanism to prevent any abuse of the above concession, the percentage of AUM that can be attributed to non-family key employees will be capped at 10%.

- To the extent that an SFO grants share options to its employees, such employees can only hold a non-controlling stake of up to 10% of the relevant SFO.

4. Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT) Requirements:

- To mitigate financial misconduct risks, SFOs are required to establish and maintain relationships with MAS-regulated financial institutions for rigorous AML/CFT checks. In addition, this requirement also applies to the fund vehicle of the SFO.
- This requirement will be met by the SFO and its fund vehicle opening and maintaining an account with a MAS-regulated financial institution.

5. Reporting Obligations:

- SFOs must: (i) notify the MAS within 14 days after commencement of business and (ii) submit the annual return (containing information on total assets under management and the name(s) of the MAS-registered financial institutions with whom the SFO has established and maintained business relations with as at the end of the calendar year) within four (4) months from the SFO's financial year end.
- This streamlined reporting process aligns with existing tax incentive deadlines, making compliance more manageable.

6. Transitional Arrangements:

- Existing SFOs are granted a 1-year transition period to comply with the new framework.
- This period allows SFOs to adjust to the new requirements without disrupting their operations.

7. Defining Family Members:

- The MAS has clarified the definition of "family members" for SFO eligibility, which is limited to a generational limit at the time of commencement of the SFO's business activities in Singapore.
- The common ancestor must not be more than five (5) generations back from the youngest generation that established the SFO in Singapore and all family members within the five (5) generations can be served by the SFO.
- "Family members" include parents-in-law and siblings-in-law. It also includes legally adopted children and stepchildren of the common ancestor.

- This definition aims to prevent misuse of the SFO structure while providing sufficient flexibility for genuine family offices.

8. Legal Opinion

- SFOs are required to obtain a legal opinion supporting their exemption qualification and furnish the name of the law firm that provided the legal opinion.

Conclusion:

The MAS' response reflects a balanced approach to supporting the growth of SFOs in Singapore while safeguarding against misuse. By refining the framework with targeted exemptions, clear ownership structures, and stringent AML/CFT compliance, the MAS aims to maintain Singapore's reputation as a robustly regulated financial hub.

For prospective clients, this updated framework provides clarity and confidence in establishing and operating SFOs in Singapore, ensuring both regulatory compliance and operational flexibility.

Should you have any queries as to how this update may affect you or your organisation or require further information, please do not hesitate to email us.



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This article is intended to discuss the MAS' response to the consultation paper relating to single family offices in Singapore, and it is not intended to be comprehensive nor should it be construed as legal advice. This article is updated as 14 November 2024.

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