LEGAL UPDATE: REVISED FRAMEWORK FOR SINGLE FAMILY OFFICES

By: Ian Phung, Justin Hoo

I. <u>Introduction</u>

1. On 12 June 2026, the Monetary Authority of Singapore ("**MAS**") announced that the revised framework ("**Revised Framework**") for single family offices ("**SFO**") will take effect on 15 June 2026. The revised framework follows the Consultation Paper on Proposed Framework for Single Family Offices issued by MAS on 31 July 2023 ("**Consultation Paper**"), and the response to the consultation ("**Consultation Response**") published on 6 November 2024. There is a transitional period of one (1) year (i.e. until 15 June 2027) for existing SFOs that operate in Singapore to comply with the Revised Framework. In this client update, Director Ian Phung and Associate Justin Hoo summarise the key takeaways in relation to the Revised Framework.

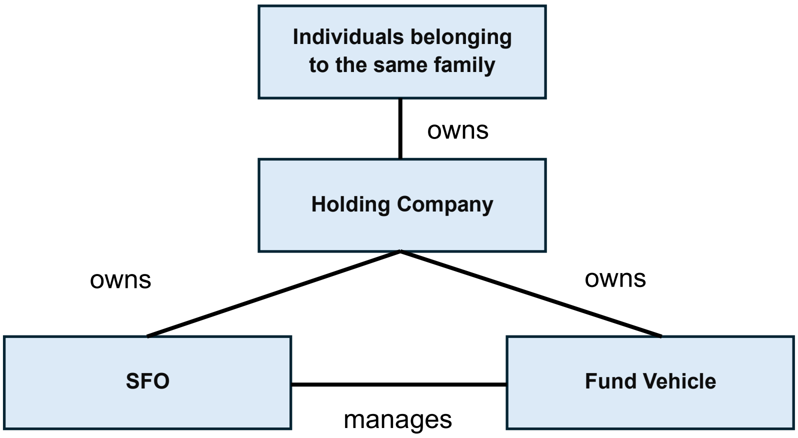
II. <u>Previous Framework</u>

2. MAS has stated that the reason that SFOs are exempt from licensing and business conduct requirements which are aimed at safeguarding the interests of third-party customers is because SFOs do not serve any third-party customers or manage third-party monies (save for limited exceptions which are explained below).[1]

3. There are some families that utilise a common holding company to hold the SFO and the fund vehicle which is used to hold or manage the family's assets, as illustrated in Diagram 1 below. Prior to the Revised Framework, such SFOs would have been exempt from licensing under paragraph 5(1)(b) of the Second Schedule of the Securities and Futures (Licensing and Conduct of Business) Regulations ("**SF(LCB)R**"), which provides an exemption (the "**Paragraph 5(1)(b) Exemption**") for persons who manage the assets of their related corporations.[2]

[1] Paragraph 3.1 of the Consultation Paper.
[2] Paragraph 3.2 of the Consultation Paper.

Diagram 1: Class exemption under previous framework where SFO is a related corporation of the fund vehicle



4. However, MAS has noted that there are SFOs with other ownership structures, or which utilise non-corporate entities to hold or management the family's assets and therefore do not fall neatly within the previous Paragraph 5(1)(b) Exemption. Those SFOs had typically sought case-by-case licensing exemptions under the SFA. A common example is where the SFO and the fund vehicle are both owned directly by one or more natural persons rather than through a corporate entity or common holding company. Under such a structure, the SFO is not considered a "related corporation" (as defined under the Companies Act 1967 ("**Companies Act**")) of the fund vehicle.[3]

5. As such, MAS has introduced a structure-agnostic class exemption for SFOs, which will remove the need for case-by-case licensing exemptions. The class exemption is not an endorsement by MAS of exempted SFOs.[4]

III. <u>Revised Framework</u>

<u>Requirements</u>

6. Under the Revised Framework, the SFO must satisfy the following conditions:[5]

(a) The SFO can only conduct fund management for, or on behalf of:

(i) family members, including family trusts and corporations wholly owned by, and for the sole benefit of the family;

(ii) charitable organisations funded exclusively by the family; and/or

(iii) key employees (executive directors, chief executive officer, chief financial officer and investment professionals), where assets originating from such key

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[3] Paragraph 3.3 of the Consultation Paper.
[4] Paragraph 3.4 of the Consultation Paper.
[5] Response 1 to the FAQs on Licensing Exemption Framework for Single Family Offices; paragraph 5(1)(ba) of the Second Schedule to the Securities and Futures (Licensing and Conduct of Business) Regulations.

employees must not exceed 10% of the total value of the SFO's assets under management in aggregate.

(b) The SFO can be held via a trust, foundation or any other legal structure, so long as the funding of the SFO originates exclusively from:

  (i) Members of the same family, whether directly or indirectly; and

  (ii) Key employees, who are allowed to own a non-controlling stake of up to 10%.

(c) The SFO must be incorporated in Singapore.

(d) The SFO and its fund vehicle(s) must each open and maintain a bank account with a MAS-licensed bank. Foreign-incorporated fund vehicle(s) may open and maintain an account with a MAS-licensed bank in Singapore, or with a regulated bank in a jurisdiction that complies with anti-money laundering and countering of financing of terrorism ("**AML/CFT**") requirements consistent with the standards set by the Financial Action Task Force ("**FATF**").

Structure Agnostic Class Exemption

7. Where previously, SFOs would be required to fall within the Paragraph 5(1)(b) Exemption to avail themselves of licensing exemptions under the SFA, SFOs may now be held via a trust, foundation or any other legal structure rather than a common holding company which holds the SFO and the fund vehicle(s).

8. In relation to the management of family trusts and foundations, MAS has clarified that it will allow arrangements where the family trust and/or foundations managed by the SFO designates charitable organisations as beneficiaries if these beneficiaries do not have control over the trust or foundation assets and are merely persons designated to receive benefits. Further, these charitable organisations may include those not funded exclusively by the family, so long as the SFO is not appointed to manage the assets of the charitable organisations.[6] However, the SFOs are not allowed to manage the monies of the charitable organisations themselves where the monies are not funded exclusively by the family.[7]

9. *"Family member" and Generational Limits*

10. The term "family member" refers to all lineal descendants of a common ancestor (living or deceased), including:[8]

- current or former spouses;
- adopted children;
- stepchildren;
- parents-in-law; and
- siblings-in-law.

[6] Paragraph 2.7 of the Response Consultation.
[7] Response 2.10 of the Response Consultation.
[8] Paragraph 5(1)(c) of Second Schedule to the Securities and Futures (Licensing and Conduct of Business) Regulations; Response 2 to the FAQs on Licensing Exemption Framework for Single Family Offices.

11. The MAS has introduced a generational limit to prevent abuse of the class exemption by individuals claiming to be descendants of an extremely remote ancestor.[9] Where there is more than one (1) founding member of a single family that established the SFO in Singapore, those members must share a common ancestor who is not more than five (5) generations removed from the generation to which they belong or, if they belong to different generations, the youngest generation.[10] All family members within the five generations can be served by the SFO, and thereafter, subsequent generations can be served by the SFO.[11]

Filing of Notice of Commencement of Business and Transitional Period

12. Previously, SFOs were not required to file a notice to MAS upon the commencement of its operations in Singapore. To better monitor SFOs in Singapore, MAS has imposed a requirement for new SFOs to file a Notice of Commencement of Business with MAS within 14 days of commencement of its operations in Singapore.[12] For existing SFOs that intend to continue operating in Singapore, MAS has provided a transitional period of one (1) year from 15 June 2026 to satisfy the conditions under the licensing exemption and to file the Notice of Commencement of Business with MAS.[13] Should SFOs wish to seek professional assistance on compliance with the conditions under the licensing exemptions, please feel free to contact us.

Legal Advice and Legal Opinions

13. For clarity, MAS has clarified that there is no requirement for an SFO to seek legal advice to support its qualification under the exemption, nor to furnish a legal opinion when submitting its Notification of Commencement of Business to MAS. An SFO will also not be required to provide the name of its legal adviser as part of the Notification.[14] However, in relation to applications for tax incentives under S13O or S13U of the Income Tax Act 1947, where SFOs had previously furnished a legal opinion as part of such application, a new legal opinion will need to be obtained referencing the class exemption.[15]

Filing of Annual Returns

14. Under the Revised Framework, SFOs are also required to submit their annual returns within four (4) months from the end of the SFO's current financial year, in respect of that financial year.[16] MAS has stated that there will not be any further extension granted for SFOs to submit the annual returns.[17]

[9] Paragraph 2.22 of the Response Consultation.
[10] Paragraph 5(1AA) of Second Schedule to the Securities and Futures (Licensing and Conduct of Business) Regulations; paragraph 2.22 of the Response Consultation.
[11] Response 2 to the FAQs on Licensing Exemption Framework for Single Family Offices.
[12] Response 3 to the FAQs on Licensing Exemption Framework for Single Family Offices.
[13] Response 3 to the FAQs on Licensing Exemption Framework for Single Family Offices.
[14] Response 9 to the FAQs on Licensing Exemption Framework for Single Family Offices.
[15] Paragraph 5.4 of the Response Consultation.
[16] Response 6 to the FAQs on Licensing Exemption Framework for Single Family Offices.
[17] Response 7 to the FAQs on Licensing Exemption Framework for Single Family Offices.

Opening and Maintaining Bank Accounts with MAS-Licensed Banks

15. The Revised Framework requires both the SFO and its Singapore-incorporated fund vehicle(s) are required to open and maintain accounts with MAS-licensed banks in Singapore.[18] Where the SFO has a foreign-incorporated fund vehicle, the fund vehicle must open and maintain an account with a MAS-licensed bank in Singapore or with a regulated bank in a jurisdiction that complies with AML/CFT requirements consistent with the standards set by the FATF.[19]

16. Banks are required to conduct the AML/CFT checks on SFOs and their fund vehicles.[20] The customer due diligence and ongoing monitoring checks conducted on an SFO would be subject to the bank's risk-based approach when it establishes a business relation with its customer. These requirements are set out in the relevant MAS AML/CFT Notices and MAS Regulations, such as MAS Notice 626 Prevention of Money Laundering and Countering the Financing of Terrorism – Banks, taking into account guidance and industry best practice papers that MAS has published.[21]

Designated Point of Contact

17. SFOs must have at all times an employee who is resident in Singapore as the designated point of contact between the SFO and MAS.[22]

IV. **Conclusion**

18. The Revised Framework is a welcome change as the structure agnostic approach accommodates a wider range of legal structures that may be used by SFOs. The revised criteria also provides certainty for existing SFOs and new SFOs that intend to commence operations in Singapore.

19. For more information, SFOs may also wish to read the Consultation Paper, Consultation Response, and the Frequently Asked Questions (FAQs) on Licensing Exemption Framework for Single Family Offices.

20. Please feel free to reach out if you have any queries on the abovementioned updates.

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[18] Response 1 to the FAQs on Licensing Exemption Framework for Single Family Offices.
[19] Response 1 to the FAQs on Licensing Exemption Framework for Single Family Offices.
[20] Response 10 to the FAQs on Licensing Exemption Framework for Single Family Offices.
[21] Response 10 to the FAQs on Licensing Exemption Framework for Single Family Offices.
[22] Paragraph 3.5 of the Consultation Paper; paragraph 4.10 of the Consultation Response.

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