



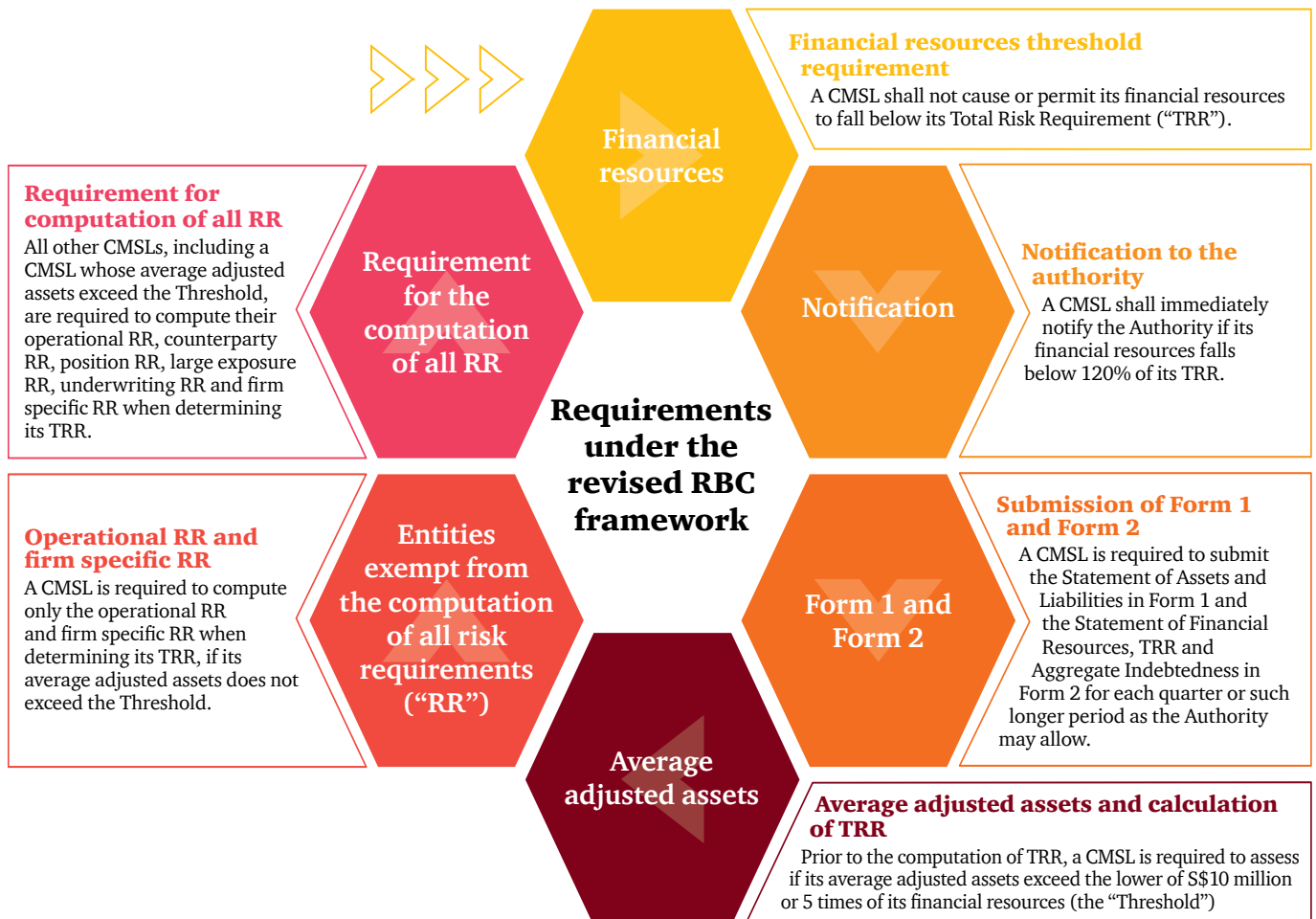
Risk Based Capital Framework for Holders of Capital Markets Services Licences

The Monetary Authority of Singapore (the “MAS”) has implemented a revised risk-based capital framework (the “revised RBC framework”) for holders of a Capital Markets Services Licence (“CMSL”) under the Securities and Futures Act.

With effect from 3 April 2013, the MAS issued a Notice on Risk Based Capital Adequacy Requirements for Holders of Capital Markets Services Licences (the “Notice”) which establishes the methodology that a CMSL is to use for calculating its financial resources and total risk requirement.

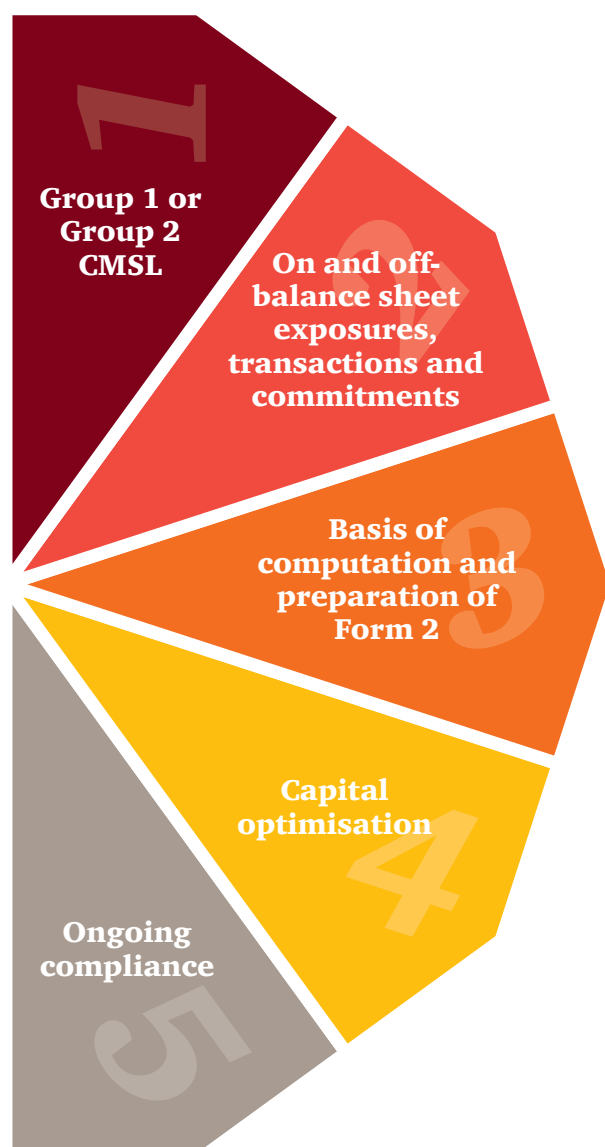
All existing CMSLs are required to comply with the revised RBC framework by 2 April 2015.

1 What is required of you?



A CMSL as defined in Paragraph 3.2.1 in the Notice includes a CMSL licenced only to carry out the regulated activities of fund management, REIT management, advising on corporate finance, providing custodial services for securities; dealing in securities, where CMSL is a limited activity CMSL; trading in futures contract, where CMSL is a limited activity CMSL or a combination of such activities.

2 What do you need to consider for first-time implementation and compliance?



1. Group 1 or Group 2 CMSL

- The determination of financial resources will differ and average adjusted assets may not be applicable depending on whether you are a Group 1 or Group 2 CMSL.

2. On and off-balance sheet exposures, transactions and commitments

- Balance sheet and profit or loss items will need to be considered.
- Off-balance sheet exposures, transactions and commitments may also attract a capital charge.

3. Basis of computation and preparation of Form 2

- The methodology outlined in the Notice is not straightforward and requires careful interpretation and application.
- Exemptions exist to allow a CMSL to compute only its operational RR and firm specific RR.
- A CMSL's trial balance alone may not be sufficient in supporting the basis of computation and preparation of Form 2.

4. Capital optimisation

- There may be opportunities to optimise the CMSL's capital structure.
- A dry-run simulation should be performed ahead of implementation to identify such opportunities and to deal with a potential capital shortfall early.

5. Ongoing compliance

- Appropriate policies and procedures will need to be implemented to ensure compliance with the financial resources threshold requirement at all times.

3 How we can help?

1 Impact assessment review	Assist with your impact assessment for the first-time adoption of the revised RBC framework. We can assist with your dry-run simulation, review the basis of preparation and computation of Form 2, and assess the adequacy of policies and procedures in place to ensure ongoing compliance
2 Quarterly form review of regulatory forms	Assist in the ongoing review of the quarterly forms (Form 1 and Form 2) to ensure that the basis of preparation and computation is consistent with the rules in the revised RBC framework



Contact us

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