

CHAPTER 4 INVESTMENT FUNDS

PART I SCOPE OF CHAPTER

- 401 This Chapter sets out the Exchange's requirements on the listing of investment funds denominated in Singapore Dollars or in foreign currency.
- 402 An investment fund may be incorporated or established in Singapore or in another country. If it is incorporated or established in a foreign country, the fund may be required to satisfy the Exchange that there are adequate rules governing such funds.
- 403 Investments held by an investment fund need not be limited to shares and securities, but may take the form of partnership arrangements, participations, joint ventures and other forms of non-corporate investment.

PART II LISTING REQUIREMENTS FOR INVESTMENT FUNDS

- 404 An investment fund applying for listing must comply with the following requirements:-
- (1) For an investment fund denominated in Singapore Dollars:-
 - (a) a minimum asset size of at least S\$20 million; and
 - (b) at least 25% of the investment fund's total number of issued shares excluding treasury shares or units is held by at least 500 public shareholders (100 in the case of a venture capital fund).
 - (2) For an investment fund denominated in a foreign currency:-
 - (a) a minimum asset size of at least US\$20 million (or its equivalent in other currencies);
 - (b) a spread of holders necessary for an orderly market in the shares or units of the fund;
 - (c) in the case of an investment fund incorporated or established in a foreign country, facilities for the transfer and registration of securities in Singapore (if required by the Exchange); and
 - (d) in the case of an investment fund that is an exchange traded fund incorporated or established in a foreign country, the investment fund must be listed, or approved for listing, on a foreign stock exchange acceptable to the Exchange.

Investments

- (3) An investment fund which is denominated in Singapore Dollars (other than a venture capital fund or a hedge fund) must comply with the following:-
 - (a) It must limit its investments in companies which are related to the investment fund's substantial shareholders, investment managers or management companies, to a maximum of 10% of gross assets;
 - (b) It must abide by the same investment and borrowing restrictions prescribed by the Code on Collective Investment Schemes; and
 - (c) It must restrict investments in unlisted securities to 30% of gross assets.

Investment Policy

- (4) A newly formed investment fund must not change its investment objectives and policies in the first three years unless approved by a special resolution of the shareholders in a general meeting.

Investment Manager

- (5) The management company (if there is no management company, the sponsor or trustee) must be reputable and have an established track record in managing investments. Generally, the management company (sponsor or trustee) must have been in operation for at least five years.
- (6) The persons responsible for managing the investments of the investment fund must be reputable and have a track record in managing investments for at least 5 years. They must have satisfactory experience in managing the particular types of funds for which listing is sought.

Non-Traded Fund

- (7) An investment fund that is listed, but does not intend to trade its units on the Exchange, will not have to comply with Rules 404(1)(b), 404(2)(b), 404(2)(c) and 404(2)(d).

Real Estate Investment Trust (REIT)

- (8) (a) An application for the listing of a REIT must comply with Chapters 2 and 4 of the Listing Manual. On a continuing listing basis, the REIT is required to comply with all listing rules applicable to equity securities, with necessary adaptations.
 - (b) A REIT is not required to comply with the following listing rules:-
 - (i) Rule 748(1). However, it must announce its net tangible assets per share

or per unit on a quarterly basis via SGXNET; and

- (ii) Rule 748(3). However, it must comply with the disclosure requirements under the Property Fund Guidelines and the Code on Collective Investment Schemes.
- (c) Acquisition of properties and assets of the REIT must be completed before the commencement of listing.
- (d) Right of first refusal agreements granted by the controlling unitholder to the REIT for the purpose of mitigating conflicts of interest must be valid as long as the conflicts of interest exist.

Exchange Traded Fund (ETF)

(9) (a) An ETF is not required to comply with the following rules:-

- (i) Rule 111;
- (ii) Rule 112;
- (iii) Rule 113;
- (iv) Rules 404(1)(b) or 404(2)(b). However, it must appoint at least one Designated Market Maker;
- (v) Rule 704(3);
- (vi) Rule 704(17);
- (vii) Rule 704(18);
- (viii) Rule 704(19);
- (ix) Rule 705(2);
- (x) Rule 707. However, the ETF must comply with the relevant provisions under the Code on Collective Investment Schemes;
- (xi) Rules 708 to 710. However, the ETF must make the necessary disclosures as required under Paragraph 7.2.1 of the Code on Collective Investment Schemes;
- (xii) Rules 711 to 711B;
- (xiii) Rules 724;
- (xiv) Rule 730. However, in the event material provisions in the trust deed or other constituent documents are amended, it is required to notify unitholders of any alteration via SGXNET;
- (xv) Chapter 8; and
- (xvi) Chapter 12 relating to annual reports. However, it must comply with the provisions in Chapter 12 relating to shareholder circulars.

PART III LISTING PROCEDURES FOR INVESTMENT FUNDS

405 The following sets out the usual steps in the listing process for investment funds:-

- (1) The applicant submits one copy of the listing application prepared in compliance

with Rule 407, together with the supporting documents prescribed in Rule 409;

- (2) The Exchange considers the application and may grant approval in-principle (with or without conditions);
- (3) Where a prospectus, offering memorandum or introductory document is required, the applicant lodges the final copy of the prospectus, offering memorandum or introductory document with the government authority, and the Exchange;
- (4) The investment fund invites subscription for its securities;
- (5) The investment fund issues securities pursuant to the allotment; and
- (6) The investment fund is admitted to the Official List on satisfaction of all the conditions.

Time Schedule

406 The Exchange will normally decide on an application that is complete within four weeks of the date of submission of an application.

Contents of Application

407 The application must contain the following information:-

- (1) Structure and constitution of the investment fund;
- (2) Full title or designation, and rights and privileges of the securities for which listing is sought;
- (3) Names of the investment manager, investment adviser, administration agent and custodian of the investment fund; and
- (4) The financial track record of the investment manager and investment adviser and of persons employed by them to carry out their duties as investment manager or investment adviser, stating their employment history and work experience and details of all funds managed or advised by them.

408 The Exchange may require the applicant to provide additional information and any other documents which it requires for a proper consideration of the application.

Documents To Be Submitted With The Application

409 One copy of the following documents must be submitted together with the prescribed listing fee:-

- (1) Prospectus, offering memorandum or introductory document containing the information required in Chapter 6. A checklist showing compliance with the

provisions of Chapter 6 should also be submitted. If the investment fund is offered only to institutions and/or accredited investors without a prospectus, the offering memorandum or introductory document does not have to contain the information required in Chapter 6. However, the offering memorandum or introductory document submitted to the Exchange must be in final form containing information that such investors and their professional advisors would reasonably require taking into account market practice.

- (2) The Memorandum and Articles of Association, if applicable, must incorporate the provisions set out in Appendix 2.2. A checklist showing compliance with Appendix 2.2 must also be submitted. A trust deed must be submitted, if applicable. The trust deed must comply with applicable law. For investment funds which are incorporated in a foreign country, the Memorandum and Articles of Association or other constitutive document need not incorporate the provisions set out in Appendix 2.2.
- (3) The annual accounts of the investment fund for each of the last 3 financial years, if applicable. In the event the investment fund is unable to provide the annual accounts for each of the last 3 financial years, the investment fund is expected to provide profit estimates, forecasts and/or projections.

Documents To Be Submitted After Approval In-Principle

410 As soon as practicable after the investment fund receives approval in-principle from the Exchange, the following documents should be submitted:-

- (1) The signed listing undertaking in the form set out in Appendix 2.3.1;
- (2) A specimen of the certificate to be issued; and
- (3) 120 copies of the prospectus, offering memorandum or introductory document.

PART IV CONTINUING LISTING OBLIGATIONS

411 An investment fund must observe the continuing listing obligations stipulated in Rule 748.

PART V SPECIALIZED FUNDS

Venture Capital Fund

412 A venture capital fund must be offered for sale and be quoted for trading in denominations of at least S\$5,000.

Hedge Fund

413 A hedge fund applying for listing must:

- (1) comply with the requirements of this Chapter, with modifications as prescribed by Rule 414.
- (2) comply with one of the following:
 - (a) the hedge fund must be authorized or recognized under section 286 or 287 of the SFA in respect of the offer of its units to the public; or
 - (b) the units of the hedge fund must be offered only to institutions and/or accredited investors.
- (3) where the hedge fund enters into transactions with or through a prime broker, the prime broker (or its parent company) must have:
 - (a) a credit rating of at least A for long-term debt from Moody's or Standard and Poor's and P-2 or A-1, respectively, for short-term debt; and
 - (b) financial resources in excess of US\$200 million (or its equivalent in another currency).
- (4) have in place an independent risk management function.
- (5) issue an offering memorandum or introductory document that contains adequate disclosure of all material risks that are specific to the hedge fund. In addition, the fund should state in its offering memorandum or introductory document all provisions and/or conditions under which the fund will be closed and all monies returned to its subscribers.

414 The following will apply to a hedge fund:

- (1) For the purposes of Rules 404(1)(a) and 404(2)(a), the asset size of the hedge fund should be determined on an un-leveraged basis (i.e. net of borrowings).
- (2) Generally, a fund will be deemed to have satisfied Rule 404(5) if the management company has been in operation for at least five years. However, the Exchange may accept a management company that has been in operation for less than five years, if the Exchange is satisfied that the management company is reasonably able to perform its duties.
- (3) A hedge fund will be deemed to have satisfied Rule 404(6) if its investment manager has at least one principal with at least 5 years of relevant investment management experience. For a fund-of-funds strategy, the Exchange will consider the investment management experience of the principal responsible for the investment management activities of the listed fund-of-funds. If the key principal of an investment manager leaves and cannot be replaced within a period of 1 month, the fund will be required to wind up.

- (4) While a hedge fund eligible for a listing will be admitted to the Official List of the Exchange, there will be no trading in the units of the fund on the Exchange. As such, Rules 404(1)(b), 404(2)(b), 404(2)(c) and 404(2)(d) will not apply.
- (5) A hedge fund must observe the continuing listing obligations stipulated in Rule 748, with the following modifications:
- (a) The hedge fund must announce via SGXNET its net asset value per unit, as soon as practicable after each month end, but in any event no later than 7 business days. In addition, the hedge fund must immediately announce the following information relating to its operations:-
 - (i) any general suspension of calculation of net asset value;
 - (ii) any material change in net asset value or any change in the valuation policy;
 - (iii) any proposed or actual material change in the general character or nature of the operation of the fund;
 - (iv) any proposed or actual change in the investment policy and/or objective;
 - (v) any proposed or actual material change in investment, borrowing and/or leverage restrictions;
 - (vi) any material change in the organization or arrangements of the fund, including any change in its investment manager, custodian, administrator or independent auditor;
 - (vii) any redemption of 30% or more of the fund.
 - (b) A hedge fund must announce its financial reports for the first half year and the full financial year in accordance with Rule 748(2). However, the hedge fund does not have to present its financial statements in the format set out in Appendix 7.2.
 - (c) The annual report of a hedge fund does not have to include the information required by Rules 748(3)(a), 748(3)(b) and 748(3)(c). However, if the hedge fund is offered only to institutions and/or accredited investors, the annual report should contain all information that institutions and/or accredited investors would customarily expect to see in such reports.
- (6) Where a hedge fund breaches any listing rule, the Exchange will not automatically delist the fund, but will consider the nature and circumstances of the breach before deciding on the action to be taken.
- (7) As soon as practicable after the fund receives approval in-principle from the Exchange, the fund should submit the document of Rule 410(1) and a copy of prospectus, offering memorandum or introductory document in electronic form.