



Reed Smith Asia-Pacific funds & financial regulatory newsletter

Fourth quarter 2024 edition

ReedSmith

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Welcome

Fourth Quarter 2024 Edition

This is the third edition of the quarterly Reed Smith Asia-Pacific funds & financial regulatory newsletter. It highlights key developments in the financial regulatory landscape, including regulatory changes and enforcement actions affecting financial entities, investment advisors and funds across the Asia-Pacific region. Looking forward into 2025, in this edition, we delve deeper into the “MAS’ FinTech Vision” as shared by Mr Chia Der Jiun, Managing Director (MD), Monetary Authority of Singapore (MAS), during a fireside chat at the Singapore FinTech Festival 2024.



In focus

Singapore

MAS, the central bank and financial regulator of the city-state, has recently shared some insights on its upcoming regulatory focus and priorities for the fintech sector and the broader economy. In a recent interview, MD Chia provided insights into the challenges and strategies shaping Singapore's economy, particularly in relation to inflation, cryptocurrency and artificial intelligence (AI). He highlighted MAS' proactive measures in navigating a complex global economic landscape in the near and medium term.

Digital currency initiatives

The regulatory environment for cryptocurrencies remains a priority for MAS, with MAS favouring a balanced and calibrated approach to regulating crypto assets and activities, recognising their potential benefits and risks for innovation, financial inclusion and stability. MD Chia outlined that MAS is committed to ensuring robust risk management and consumer protection while fostering innovation within the fintech sector. This includes developing regulations for stablecoins to ensure their stability and reliability in value. MAS has established a legal framework for crypto service providers under the Payment Services Act, which requires them to comply with anti-money laundering (AML) and countering the financing of terrorism (CFT) rules, as well as consumer protection and cybersecurity standards, and has issued over 200 Major Payment Institution licences under the Payment Services Act, reflecting its commitment to a regulated yet progressive approach to digital assets. MAS is also working with other regulators and international bodies to enhance cross-border cooperation and coordination on crypto-related issues, such as tax evasion, market abuse and environmental impact. MD Chia also discussed MAS' exploration of central bank digital currencies (CBDCs), particularly focusing on wholesale CBDCs designed to enhance cross-border payments and securities settlements. While there is no immediate need for a retail CBDC due to the efficiency of existing electronic payment systems, MAS is collaborating with China on cross-border digital currency initiatives. This strategic move aims to bolster Singapore's position in the evolving digital finance landscape.

Embracing artificial intelligence

In discussing AI, MD Chia noted its potential impact on inflation – while AI could alleviate supply constraints and enhance productivity, its overall effect on inflation remains uncertain. MAS is keen on harnessing AI technologies to improve financial services and operational efficiencies within the sector. However, it also recognises the need for cautious integration of these technologies to manage associated risks effectively.

MAS is promoting the responsible and ethical use of AI and data analytics in the financial sector, as well as fostering innovation and collaboration in this field. MAS has issued principles and guidelines for the fair, accountable and transparent use of AI and data by financial institutions, as well as a self-assessment framework and a verification toolkit to help them implement and assess their AI governance practices. MAS has also launched or supported initiatives such as the Veritas Consortium, the AI and Data Analytics Grant, and the Global CBDC Challenge to support the development and adoption of AI and data solutions for financial services.

MAS is keen on harnessing AI technologies to improve financial services and operational efficiencies within the sector. However, it also recognises the need for cautious integration of these technologies to manage associated risks effectively.

Economic context and inflation control

MD Chia emphasised that Singapore's economy is significantly influenced by international trade, with imports and exports accounting for over three times its GDP. This reliance makes the country vulnerable to geopolitical tensions and economic fluctuations. MAS is closely watching the inflationary pressures and supply chain disruptions that have emerged in the global economy due to the COVID-19 pandemic and its aftermath. In response to rising inflation, which peaked at 5.4% in early 2023, MAS implemented a series of monetary policy adjustments, starting in 2021. These included tightening the nominal effective exchange rate (S\$NEER) to mitigate imported inflationary pressures. By maintaining a restrictive monetary policy, MAS successfully reduced core inflation to approximately 2.1% by October 2023, with expectations for further easing in the future. MAS is also engaging with the public and the media to communicate its policy objectives and actions, as well as to manage inflation expectations and sentiments.

Future outlook

Looking ahead, MD Chia indicated that MAS will continue to monitor global economic developments closely, particularly those affecting inflation and trade dynamics. The central bank remains alert to structural shifts such as rising protectionism and climate change, which could exert upward pressure on prices in the long term. MAS' ongoing efforts aim to ensure medium-term price stability while fostering an innovative financial ecosystem that can adapt to emerging challenges. In summary, MD Chia's insights reflect MAS' strategic approach in addressing contemporary economic challenges through prudent monetary policy, regulatory frameworks for digital currencies and embracing technological advancements like AI. As Singapore navigates an increasingly complex global environment, these initiatives position it well for sustainable growth and resilience against future economic shocks.



Regulatory updates



Mainland China

Measures for the Compliance Management of Financial Institutions

The Measures for the Compliance Management of Financial Institutions (the Measures) issued by the National Financial Regulatory Administration (NFRA) will come into effect on 1 March 2025, with a one-year transition period starting from the implementation date. The Measures require financial institutions to appoint a chief compliance officer (CCO) at their headquarters and, in principle, compliance officers at provincial-level or tier-one branches. To support compliance management, the Measures stipulate that financial institutions must allocate to their compliance departments sufficient qualified personnel who can enhance the effectiveness of compliance management by leveraging their expertise. The Measures also clarify the rights of CCOs and compliance officers, including the rights to attend meetings, access information, conduct investigations, make inquiries and issue warnings, thereby ensuring the effective performance of their duties. Furthermore, administrative penalties and other regulatory measures are outlined. Financial institutions and their staff members, particularly directors, senior managers, CCOs and compliance officers, will be held strictly accountable for any failure to implement effective compliance management, with stiffer penalties for violations.

Tightening the regulation of directors and senior managers of banking financial institutions

The Administrative Measures for the Qualification of Directors (Council Members) and Senior Managers of Banking Financial Institutions (Draft for Comment) was released by the NFRA to solicit public feedback by 26 January 2025. The Draft for Comment refines the qualification requirements for senior managers and strengthens the review of candidates' compliance and integrity. Under the principle of balance between strictness and leniency, while ensuring proportionality in punishment, it imposes corresponding restrictions on the appointment of relevant personnel, distinguishing between different types of administrative penalties. In addition, the Draft for Comment stresses the primary responsibilities of financial institutions in managing the suitability of senior managers, and encourages senior managers to uphold integrity, fulfil their duties and maintain professional ethics, with a view to promoting the lawful operation of financial institutions and ensuring their development.

The Anti-Money Laundering Law (Revised in 2024)

The Anti-Money Laundering Law of the People's Republic of China was revised in 2024 and came into effect on 1 January 2025. It is the first comprehensive revision of the Anti-Money Laundering Law since its issuance in 2006. It introduces a risk-based approach, replacing the previous rule-based system, requiring financial institutions to assess and manage money laundering risks more dynamically. In doing so, it expands the scope of entities subject to AML obligations, including non-financial institutions such as real estate developers and professional service providers. It also specifies the ultimate beneficiary owner registration system. Additionally, the law increases penalties for non-compliance and strengthens provisions for international cooperation, among other measures. These changes aim to enhance the effectiveness of AML efforts, protect the financial system from illicit activities, and safeguard national interests and the legitimate rights and interests of Chinese citizens and legal persons.

Promoting high-quality development of futures market with enhanced risk control

The General Office of the State Council forwarded the Opinions on Strengthening Risk Monitoring and Prevention and Promoting High-quality Development of Futures Market (the Opinions). The Opinions systematically propose 17 policy measures in eight areas, with a view to building an all-encompassing, multi-dimensional framework for the development and regulation of the futures market: (a) strictly supervising futures trading activities; (b) forcefully combating illegal activities in the futures market; (c) strengthening the comprehensive regulation of futures companies; (d) enhancing risk prevention in the futures market; (e) improving the effectiveness of the commodity futures market to serve the real economy; (f) prudently developing the financial futures and derivatives market; (g) promoting the gradual opening-up of the futures market; and (h) deepening coordinated supervision in the futures market. Notably, the Opinions call for curbing excessive speculative activities, urge banking financial institutions to further strengthen credit management, and emphasise the need to prevent enterprises from illegally using credit funds for speculative trading in commodity futures.



Singapore

Licensing and business conduct requirements

[Guidelines on Licensing and Conduct of Business for Fund Management Companies](#)

In December 2024, MAS updated the Guidelines on Licensing and Conduct of Business for Fund Management Companies to clarify: (a) that fund managers are now expected to mitigate conflicts of interest in the best interests of their customers and set up mechanisms to do so; (b) that policies developed to mitigate conflicts of interest should be documented, independently reviewed and approved by the appropriate authority; and (c) the revised and expanded scenarios which can give rise to conflicts of interest, along with recommended practices to ensure conflict management.

Please refer to our [client alert](#) on changes to the guidelines.

[Good disclosure practices for retail environmental, social and governance \(ESG\) funds](#)

In December 2024, MAS circulated its information paper on good disclosure practices for retail ESG funds, setting out the practices that ESG funds may adopt to comply with paragraphs 11 to 14 of MAS Circular No. CFC 02/2022: Disclosure and Reporting Guidelines for Retail ESG Funds.

The information paper aims to promote clear disclosures which are capable of being substantiated to facilitate investors' understanding of the key features and risks of an ESG fund and mitigate greenwashing risks.

[Response to consultation on proposed framework for single family offices \(SFOs\)](#)

In November 2024, MAS published its responses following feedback to its consultation paper on the proposed framework for SFOs operating in Singapore. MAS will provide further details on the effective date of implementation, revised legislation and mode of submission for the initial notification and annual return prior to the implementation of the SFO framework.

Singapore publishes National Anti-Money Laundering Strategy

In October 2024, Singapore published its National AML Strategy, outlining the nation's strategic approach to addressing money-laundering (ML) risks and guiding risk-targeted actions to combat ML amidst rapidly evolving risks and criminal typologies. In order to maintain its status as a trusted international financial centre and business hub, Singapore takes a firm stance against ML while remaining welcome towards businesses and investments.

The National AML Strategy is built on three pillars: (a) prevention; (b) detection; and (c) enforcement. These are in turn supported by three interdependent building blocks: (i) whole-of-society coordination and collaboration; (ii) a legal and regulatory framework; and (iii) international cooperation. Together, they form the foundation of Singapore's AML framework.

The National AML Strategy takes into account Singapore's observations on ML risks over the years, drawn from various risk assessments and reviews aimed at enhancing Singapore's understanding of these risks and strengthening mitigation measures.

Circular on Audit of AML/CFT Policies, Procedures and Controls

In October 2024, MAS released a circular setting out additional guidance and highlighting the good practices observed by MAS, to enhance the effectiveness of financial institutions' AML/CFT audits. MAS reiterated the importance of audits in providing independent and regular assessment of internal AML/CFT policies, procedures and controls and compliance with MAS' requirements. Financial institutions should take the guidance into account when determining the scope of their regular audits and the approach to take in validating the effectiveness of existing controls.

FAQs on the Securities and Futures (Reporting of Derivatives Contracts) Regulations 2013

In October 2024, MAS further updated the FAQs on the Securities and Futures (Reporting of Derivatives Contracts) Regulations 2013 to provide further clarity on the implementation of the regulations. In May 2024, MAS updated the Securities and Futures (Reporting of Derivatives Contracts) Regulations 2013, which came into effect on 21 October 2024. Please refer to our [client alert](#) on changes to the over-the-counter (OTC) derivatives contract reporting regime.

Technology risk management

Singapore FinTech Festival (SFF) 2024 kicks off with AI and quantum technology in focus

In November 2024, the ninth edition of the SFF kicked off with AI and quantum technology taking centre stage. With rapid advancements in the adoption of AI and in quantum technology, SFF 2024 offered a unique platform for policymakers and industry leaders to collaborate, foster innovation and unlock growth opportunities. The event also highlighted global and regional efforts, demonstrating how fintech can tackle some of today's most pressing challenges.

MAS announces establishment of Global Finance and Technology Network (GFTN)

In October 2024, MAS announced the establishment of GFTN to further strengthen Singapore as a global fintech hub and enhance global connectivity for impactful innovation in financial services. GFTN will work with MAS to advance industry and policy dialogues on payments, asset tokenisation and AI, while supporting MAS' efforts to develop and expand a vibrant fintech ecosystem, with the aim of scaling the SFF into the premier global fintech event. Further details of GFTN's strategies, functions and governance will be announced separately by GFTN.

Sustainability

ESG considerations are increasingly critical for businesses to manage risks and create long-term value. To explore how ESG can transform challenges into opportunities, we invite you to watch a recording of our recent webinar, [The ESG Tipping Point: Turning Risks into Returns?](#) This session offers valuable insights into leveraging ESG for growth and resilience.

Australia and Singapore collaborate to support sustainable infrastructure and decarbonisation in Southeast Asia

In December 2024, the Australian government approved a US\$50 million investment into the Green Investments Partnership under Singapore's Financing Asia's Transition Partnership (FAST-P) initiative. The investment, administered by Export Finance Australia, will facilitate investment opportunities in clean energy and sustainable infrastructure projects across Southeast Asia and create commercial opportunities for Australian exporters and financial institutions. This also highlights Australia's commitment to practical action and reinforces its role as a committed and reliable partner for the region.

International Platform on Sustainable Finance (IPSF) presents Multi-Jurisdictional Common Ground Taxonomy (M-CGT)

In November 2024, the IPSF presented the M-CGT, a comparison of the sustainable finance taxonomies of China, the EU and Singapore. The M-CGT analysed and mapped a total of 110 activities across eight focus sectors. Findings suggested that there is some degree of comparability of green activities across the taxonomies of the three jurisdictions. This indicates that investors and financial institutions across these three jurisdictions can consider green finance instruments that reference the M-CGT, subject to the applicable laws and regulations of each jurisdiction.

MAS announces green finance and capital markets initiatives to strengthen financial cooperation with China

In November 2024, MAS announced new green finance and capital markets initiatives to strengthen financial cooperation with China. Key initiatives include catalysing green financing flows, strengthening collaboration in indices and Exchange Traded Funds (ETF) Product Links and facilitating financial institutions' access to Chinese markets. MAS also welcomed the listing on the Singapore Exchange (SGX) of eligible Chinese companies interested in expanding business operations in Southeast Asia.

Singapore commits US\$500 million in matching concessional funding to support decarbonisation in Asia

In November 2024, at the 29th Conference of the Parties (COP29) to the United Nations Framework Convention on Climate Change, Singapore's Minister for Sustainability and the Environment announced that the Singapore government will commit up to US\$500 million in concessional funding to support the FAST-P launched by MAS, matching dollar-for-dollar concessional capital from other partners, including other governments. FAST-P is a blended finance initiative which brings together international public, private and philanthropic partners to support Asia's decarbonisation and climate resilience through the mobilisation of capital for Asia's transition.

MAS and BlackRock spearhead collaboration to unlock investment opportunities in decarbonisation in Asia

In November 2024, MAS and BlackRock, along with the International Financial Corporation, Mitsubishi UFJ Financial Group, Nippon Export and Investment Insurance, and AIA Group, signed a statement of intent to collaborate on a project to develop an industrial transformation infrastructure debt programme, under MAS' FAST-P initiative. The parties will explore ways to collaborate on a blended finance debt initiative to expand access for investors seeking opportunities in Asia, with a focus on Southeast Asia, aiming to mobilise capital for corporates' decarbonisation projects.

Findings suggested that there is some degree of comparability of green activities across the taxonomies of the three jurisdictions. This indicates that investors and financial institutions across these three jurisdictions can consider green finance instruments that reference the M-CGT, subject to the applicable laws and regulations of each jurisdiction.



Enforcement actions

Hong Kong

[Securities and Futures Commission \(SFC\) bans fund manager for life and fines him HK\\$1.7 million for serious misconduct](#)

In December 2024, the SFC banned a fund manager for life and fined him HK\$1.7 million for window-dressing his company's financial resources and mismanaging two funds. The fund manager misled the SFC into believing that his company had satisfied the financial requirements for a licence by window-dressing the company's liquid capital in 2017, and continued to perpetuate the façade that it had sufficient liquid capital by providing false or misleading information in financial returns submitted to the SFC. The fund manager also mismanaged two funds in his capacity as investment manager, failing to avoid conflicts of interest and ensuring the funds' investments were in line with their stated investment objectives.

[SFC reprimands and fines Hong Kong securities firm HK\\$3 million for sponsor failures](#)

In December 2024, the SFC reprimanded and fined a Hong Kong securities firm HK\$3 million for failing to discharge its duties as the sole sponsor in the application of a listing of a Hong Kong company on the Hong Kong Stock Exchange (HKEX). The investigation found that the securities firm failed to perform proper due diligence in relation to the company's business arrangements, disclose a known material issue in relation to the company's top customer, and ensure completeness of information in the application proof.

[SFC suspends former trader for 26 months due to misconduct](#)

In November 2024, the SFC suspended the licence of a former trader for 26 months due to misconduct. The trader had entered into a private profit-sharing agreement with a client on discretionary trading services without his employer-broker's knowledge or consent, in breach of the Code of Conduct for Persons Licensed by or Registered with the SFC. The trader failed to disclose to his employer-broker that he had maintained a personal investment account with another broker, and prevented them from monitoring his personal trading activities. The trader also made false and disingenuous representations to the SFC regarding his personal accounts and trades.

[Tribunal sanctions former chairman and CEO for market misconduct](#)

In November 2024, the Market Misconduct Tribunal ordered an investment vehicle and its former CEO to disgorge HK\$353.43 million, representing the loss avoided by insider dealing in the company's shares. In addition, the former CEO and former chairman were both subject to the following penalties for disclosing false or misleading information: (a) disqualification orders for five years, prohibiting them from being a director, liquidator, receiver or manager of the property or business of, or being concerned or taking part in the management of, any listed or unlisted corporation in Hong Kong without leave of the court; (b) five-year cold shoulder orders banning them from dealing in any securities, futures contract, leveraged foreign exchange contract or collective investment scheme in Hong Kong; and (c) cease and desist orders prohibiting them from engaging in any conduct constituting market misconduct.

[SFC issues restriction notices to four brokers to freeze client accounts linked to suspected account hacking and market manipulation](#)

In November 2024, the SFC issued restriction notices to four brokers for suspected market manipulation or fraud involving unauthorised online trades placed through hacked accounts. The restriction notices prohibit the four brokers, without SFC's prior written consent, from disposing of or dealing with, or assisting, advising or procuring another person to dispose of or deal with, certain assets in the accounts, up to a total of HK\$91 million. They are also required to notify the SFC if they receive any instructions regarding these prohibitions.

[SFC reprimands and fines Hong Kong securities firm HK\\$4.95 million for failures in complying with AML/CFT requirements](#)

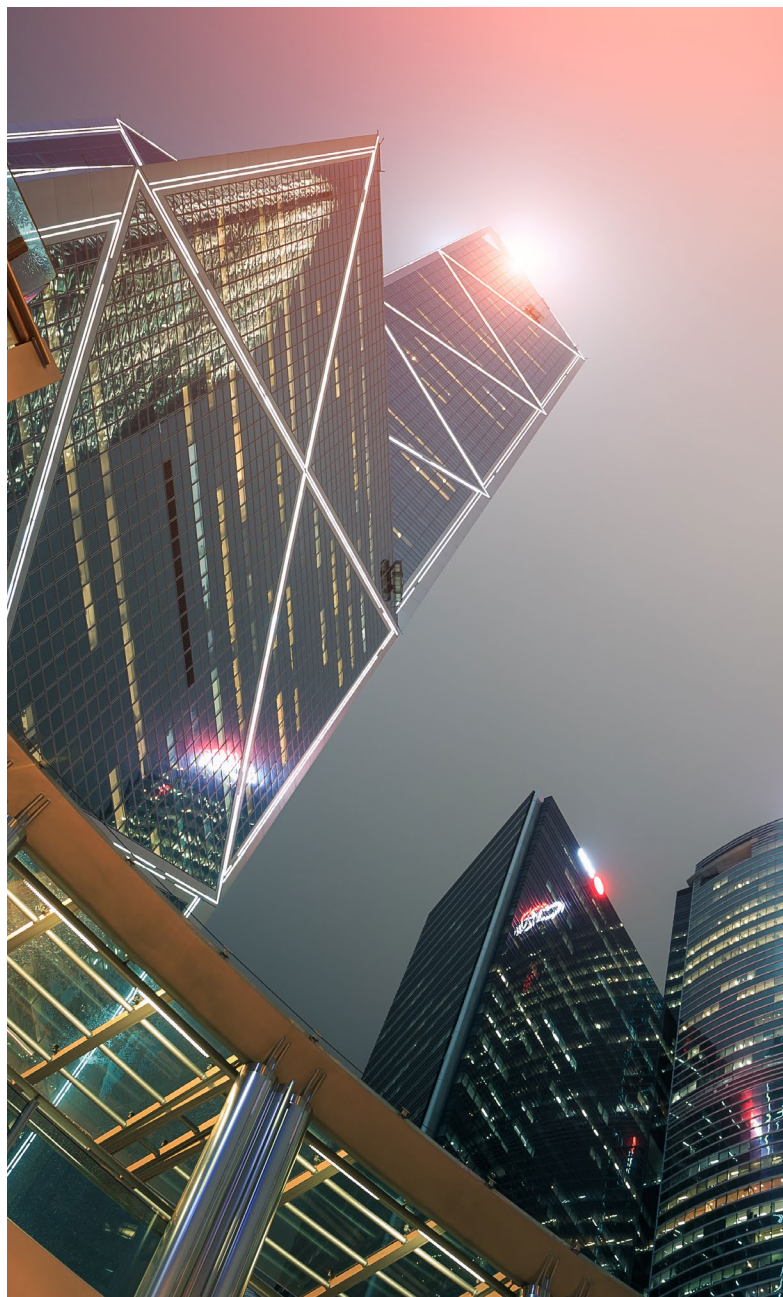
In October 2024, the SFC reprimanded and fined a securities firm HK\$4.95 million for failing to comply with AML/CFT requirements. The firm failed to conduct due diligence on the customer supplied systems (CSSs) used by 100 clients for placing orders, and thus was unable to properly assess and manage the money laundering and terrorist financing (ML/TF) risks associated with the use of such CSSs by clients. The firm also failed to detect, assess and conduct proper enquiries on deposits made into five client accounts which were incommensurate with their declared financial profiles, thus failing to satisfactorily address associated AML/CFT risks.

[SFC reprimands and fines Hong Kong securities firm HK\\$9 million and suspends licence of former manager for failures in complying with AML/CFT requirements](#)

In October 2024, the SFC reprimanded and fined a Hong Kong securities firm HK\$9 million and suspended the licence of its former responsible officer and manager-in-charge over failures to comply with AML/CFT requirements. The firm failed to conduct due diligence on the CSSs used by 84 clients for placing orders, and thus was unable to properly assess and manage ML/TF risks associated with the use of such CSSs by clients. The firm also failed to detect, assess and conduct proper enquiries on deposits made into six client accounts which were incommensurate with their declared financial profiles, thus failing to satisfactorily address associated ML/TF risks. These failures were attributable to the former manager's failures to discharge his duties as a responsible officer, resulting in the suspension of his licence.

[SFC reprimands and fines Hong Kong securities firm HK\\$2.66 million for regulatory breaches](#)

In October 2024, the SFC reprimanded and fined a securities firm HK\$2.66 million for failing to comply with AML/CFT and other regulatory requirements. The firm failed to put in place an effective ongoing monitoring system to detect and assess suspicious trading patterns in client accounts, which resulted in its failure to detect the majority of the 23,370 self-matched trades that occurred in three client accounts. The SFC also identified deposits made into two client accounts which were incommensurate with their declared financial profiles. Although the firm claimed to have made enquiries, it did not keep records of them. The firm's systems and controls were thus inadequate and ineffective, failing to comply with AML/CFT requirements.



Singapore

MAS issues prohibition order (PO) against former bank representative for cheating and forgery

In December 2024, MAS issued a 14-year PO against a former bank representative following his conviction for cheating, forgery and benefiting from criminal conduct. The individual is prohibited from providing financial advisory services, holding management roles or becoming a substantial shareholder of any financial advisory firm. He is also barred from performing any regulated activity, or taking part in the management, acting as director or becoming a substantial shareholder of any capital markets services firm. The PO was imposed after the individual defrauded 17 victims by inducing them to sign up for fictitious banking products, leading to the misappropriation of over S\$1 million. His actions resulted in a conviction and a 68-month prison sentence.

MAS imposes civil penalty on a bank for misconduct by relationship managers

In December 2024, MAS imposed a S\$2.4 million civil penalty on a bank for its failure to prevent and detect misconduct committed by its relationship managers. Due to inadequate processes and controls, 24 of the OTC transactions sampled by MAS were fraught with inaccurate or incomplete disclosures to clients, resulting in them being charged spreads that were above pre-agreed rates. The bank admitted liability for its failures and has enhanced its pricing frameworks and internal controls to prevent the recurrence of such misconduct.

MAS imposes composition penalty on fund management company (FMC) and reprimands CEO for breaches of AML/CFT requirements

In October 2024, MAS imposed a S\$1.9 million composition penalty on an FMC for breaches of MAS' AML/CFT requirements. Inspections carried out by MAS revealed that the FMC's internal policy and procedures were inadequate and put the firm at risk of being misused for financial crime. MAS also issued a reprimand to the CEO, following findings that the key breaches were attributable to him. The FMC has since taken remedial action to address the identified deficiencies.

Court convicts former trader for fraudulent inducement

In October 2024, a former trader was sentenced to 16 months' imprisonment and fined S\$12,105.70 for fraudulently inducing others to purchase shares in securities counters where he or his friend held stakes. The individual overstated the target sell price for the securities and misrepresented that he had purchased shares in them. His conviction comes following a joint investigation conducted by MAS and the Singapore Police Force, following referrals by SGX.

Inspections carried out by MAS revealed that the FMC's internal policy and procedures were inadequate and put the firm at risk of being misused for financial crime. MAS also issued a reprimand to the CEO, following findings that the key breaches were attributable to him.



Other notable updates

Hong Kong

Hong Kong Policy Address: New initiatives on Asset Management, Funds and Family Office

On 16 October 2024, Hong Kong issued its 2024 Policy Address, which included a series of forward-looking measures aimed at reinforcing its status as a premier international asset and wealth management center. The following initiatives seek to attract international investors and boost the city's competitiveness in asset management, funds, and family office sectors:

1. Opening Distribution Channels for Private Equity Funds:

To support private equity investment, Hong Kong will facilitate the opening of new distributions channels for private equity funds through HKEX's listing.

2. Expanding Tax Concessions for Funds and Single-Family Offices:

The government proposed to widen the scope of qualifying assets eligible for tax concessions under regimes for funds and single-family offices. This proposal is expected to make Hong Kong more attractive for global wealth management firms.

3. Enhancing Capital Investment Entrant Scheme ("CIES"):

- a. Residential properties with a transaction price of no less than HK\$50 million will qualify as eligible investments, with the amount of real estate investment to be counted towards the fulfillment of the minimum investment threshold under CIES capped at HK\$10 million, effective from 16 October 2024.
- b. Investments made through an eligible private company wholly owned by an applicant and managed by an eligible single-family office of the applicant or his family will be counted as eligible investments under the scheme, effective from 1 March 2025. This helps to create synergy between CIES and the establishment of family offices in Hong Kong.

- ### 4. Strengthening Financial Cooperation:
- Hong Kong will foster deeper financial collaboration with the Middle East, which includes working with sovereign wealth funds under the Belt and Road Initiative to establish new investment funds focused on opportunities in Mainland China and other regions.

By fostering stronger regional cooperation, expanding investment options, and refining tax and residency policies, the 2024 Policy Address affirms Hong Kong's commitment to innovation, collaboration, and adaptability in its journey to remain a leading global asset management hub.



Singapore

UK updates and extends Singapore's equivalence status for the derivatives trading obligation

In the wake of the global financial crisis, the 2009 Pittsburgh G20 summit agreed a programme of reform for OTC derivatives, stipulating that all standardised OTC derivative contracts should be traded on exchanges or electronic trading platforms, "where appropriate", and cleared through central counterparties. In the European Union, the commitment regarding the trading of OTC derivatives contracts on exchanges and electronic trading platforms was implemented through article 28 of the Markets in Financial Instruments Regulations (2014/600/EU), an onshored version of which (UK MiFIR) continues to apply in the United Kingdom following its withdrawal from the European Union.

Article 28 of UK MiFIR requires in broad terms that certain financial and non-financial counterparties must conclude transactions in derivatives of a type declared subject to the trading obligation only on UK trading venues or on third-country trading venues subject to a UK or grandfathered EU equivalence decision. These venues must be located in jurisdictions which treat UK trading venues reciprocally.

The transactions to which the UK derivatives trading obligation (UK DTO) applies are those between financial and non-financial counterparties subject to the derivatives clearing obligation in respect of derivatives in the relevant asset class pursuant to the UK onshored version of the European Market Infrastructure Regulation, where the derivatives transaction is of a type that has been declared subject to the UK DTO. The trades declared subject to the UK DTO are certain classes of fixed-to-floating euro interest rate swaps, euro index credit default swaps and sterling overnight indexed swaps.

At present, the only third countries the subject of an equivalence decision with respect to the UK DTO are Singapore and the United States. EU trading venues are not subject to an equivalence decision but are subject to transitional arrangements allowing certain trades within the scope of the UK DTO to be traded on EU trading venues in certain limited circumstances.

The Markets in Financial Instruments (Equivalence) (Singapore) Regulations 2024 (SI 2024/1267) set out the UK Treasury's determination, pursuant to UK MiFIR, that Singapore's derivatives trading regime is equivalent to the UK's, allowing UK counterparties subject to the UK DTO to comply with their obligations by trading in derivatives on trading venues in Singapore.

The Regulations, which came into force on 31 December 2024, replace EU Decision 2019/541 (which had been assimilated into UK law) and update the list of trading venues to include all current MAS-authorised trading venues.

The substantive change from the original equivalence decision is to update the list of Singaporean venues (approved exchanges and recognised market operators) to which the decision applies. Since the original EU decision was made, MAS has authorised seven new venues, all of which have been added to the list of venues determined to be equivalent pursuant to the UK DTO.



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