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New licensing regime for REIT managers effective from 1 August 2008

A new licensing regime for managers of real estate investment trusts (the “**REIT managers**”) will be implemented under the Securities and Futures Act (the “**SFA**”) with effect from **1 August 2008** pursuant to amendments to be made to the SFA, the subsidiary legislation and the notices and guidelines issued thereunder.

Inclusion of “REIT management” as regulated activity under the SFA

On 1 August 2008, “real estate investment trust management” (“**REIT management**”) will be included as a regulated activity under the SFA.

REIT management will be defined in the SFA to mean managing or operating a collective investment scheme:

- (a) that is a trust;
- (b) that invests only in real estate and real estate-related assets specified by the Monetary Authority of Singapore (the “**MAS**”) in the Code on Collective Investment Schemes; and
- (c) all or any units of which are listed for quotation on a securities exchange.

As a result of these amendments, subject to certain transitional provisions for existing REIT managers as elaborated below, any person who carries on business in REIT management after 1 August 2008 will be required to hold a capital markets services (“**CMS**”) licence for carrying on such activities and each of its “professional employees” will be required to hold a CMS representative’s licence. “Professional employees” of a REIT manager refer to employees who are engaged in investment management, asset management, financing, marketing and investor relations functions on behalf of the REIT manager.

Licensing criteria for REIT managers

All REIT managers are expected to satisfy the criteria for REIT managers set out in Paragraph 2 of the Property Funds Guidelines. These licensing criteria will be migrated to the Guidelines on Criteria for the Grant of a Capital Markets Services Licence and Representative’s Licence (Guidelines No. SFA 04-G01) (the “**Licensing Guidelines**”) which are expected to be revised by the MAS on 1 August 2008.

In addition, a REIT manager, as well as its chief executive officer, directors and professional employees, would also be expected to meet the fit and proper criteria set out in the Guidelines on Fit and Proper Criteria (Guideline No. FSG-G01) issued by the MAS.

Minimum entry and examination requirements for professional employees of REIT managers

The Notice on Minimum Entry and Examination Requirements for Representatives of Holders of Capital Markets Services Licence and Exempt Financial Institutions under the SFA (Notice No. SFA 04-N06) (the “**Notice**”) that is issued by the MAS under the SFA is expected to be revised on 1 August 2008 to extend the minimum entry and examination requirements applicable to CMS representative’s licence holders to professional employees of REIT managers.

Transitional arrangements for the existing REIT managers and their representatives

New Regulations 59 and 60 of the Securities and Futures (Licensing and Conduct of Business) Regulations will provide for a transitional period of six months from 1 August 2008 for managers of REITs which are already listed on 1 August 2008 (the “**existing REIT managers**”) and their employees to apply for a licence under the SFA.

The existing REIT managers may apply for a CMS licence for REIT management during the transitional period subject to them meeting the licensing criteria set out in the Licensing Guidelines.

The MAS is expected to waive the examinations requirements set out in the Notice for professional employees of the existing REIT managers. Instead, these employees will be required to undergo a non-examinable course on the regulatory requirements relevant to REITs and apply for a CMS representative’s licence during the transitional period.

During the transitional period, the existing REIT managers and their professional employees are exempted from the requirement to hold the relevant licences.

Licensing fees

The licensing fees for holders of a CMS licence and a CMS representative’s licence in respect of REIT management will be set at S\$4,000 and S\$300 respectively pursuant to the amendments to the Securities and Futures (Licensing and Conduct of Business) Regulations effective from 1 August 2008.

Financial and margin requirements for REIT managers

On 1 August 2008, the Securities and Futures (Financial and Margin Requirements for Holders of Capital Markets Services Licences) Regulations will be amended, *inter alia*, to provide for the base capital requirement for REIT managers at S\$1 million.

Should you have any queries as to how this may affect your business, please do not hesitate to get in touch with your usual contact at Allen & Gledhill LLP or any of the following:

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