



Inside this issue:

China	Unified report code	2
Hong Kong	Tax concessions on maritime services	2
India	Reporting framework of non-banking finance companies	4
Malaysia	Principal hub incentives	7
Singapore	Wealth & legacy planning	9

New Addition to Our Asia Pacific Network

Warmest welcome to **Jayasinghe & Co.** on becoming a full member firm of **Russell Bedford International**.

Established in 1985 and based in Colombo, the capital of Sri Lanka, **Jayasinghe & Co.** Chartered Accountants is amongst the country's leading audit and advisory firms.

With six partners supported by a team of qualified directors and some 150 staff, the firm offers a wide range of services, including accountancy, internal and external audit, risk assurance, tax compliance and advisory, payroll, business management, and corporate secretarial assistance. The firm has more than 950 clients in sectors such as manufacturing, information technology, banking and insurance, professional services, NGOs, and charities.

Asoka Jayasinghe, of **Jayasinghe & Co.** said: *"We are delighted and very proud to gain the status of full membership of Russell Bedford International. We are filled with optimism for the future as we seek to continue to achieve new goals for progressing and enhancing our practice."*

Andrew Lim, **Russell Bedford** global board director for APAC, added: *"It is with great pleasure that I congratulate Jayasinghe & Co. on becoming our member firm in Colombo, Sri Lanka. The firm is a real success story and I look forward to helping them build upon relationships throughout our global network."*

CHINA



UNIFIED REPORT CODE PUT IN USE IN BEIJING

From 1 January 2022, all business reports issued by Beijing accounting firms, including financial statement audit reports, special audit reports, other assurance business reports, consulting reports, etc., shall be filed online with the business report information in the filing system of Beijing Institute of CPAs ("BICPA") to generate a unified code, which shall be printed and bound on the first page of the business report as a cover.

The objectives of the system are, according to the BICPA, "to strengthen the supervision and administration of the CPA industry, to safeguard the market economic order and public interests, and to protect the legitimate interests of members from illegal infringement." Fake audit reports were found sometimes, often issued by accounting agents without CPA qualification. The unified code can prove that the members of the BICPA have completed the business filing in accordance with the self-discipline management regulations of the industry. It is also believed that the information will be used by the BICPA to assess whether an engagement is under-charged and whether a CPA has been engaged beyond his/her capacities from the number of reports he/she has signed.

The main items to file include (those with * will appear in the outcome code page):

- Client information:
 - Client name *
 - Nature of the client (e.g., State-owned, FIE, private)
 - Location (province)
 - Total asset value and total revenue (if applicable, musts for financial audits)
 - Whether the client is a listed entity
- Engagement information:
 - Report title *
 - Serial numbers of the report * and engagement letter
 - Report date * and engagement letter date
 - Types of report and opinion *
 - Period covered by the report
- CPA information:
 - Signing CPAs *
- Fee information:
 - Agreed fee in the engagement letter
 - Actual collectable fee

The outcome page in PDF format will have a unified code number generated by the system for PC enquiry, and a QR code for smartphone enquiry.

"...to strengthen the supervision and administration of the CPA industry, to safeguard the market economic order and public interests, and to protect the legitimate interests of members from illegal infringement."

HONG KONG



PROFITS TAX CONCESSIONS FOR MARITIME SERVICES

The Inland Revenue (Amendment) (Tax Concessions for certain Shipping-related Activities) Bill 2022 was gazette on 2 June 2022. This bill introduces profits tax exemption or concessionary tax rate of 0% or 8.25% (half-rate) to ship agents, ship managers and ship brokers in Hong Kong. Subject to legislation approval, the concessions will apply retroactively from 1 April 2022.

The key features of the concessions are:

(Continued)

Tax concession	Profit eligible for the concession
8.25% tax rate	Profits derived from qualifying shipping-related activities (“QSRA”) carried out for: <ul style="list-style-type: none"> • an associated ship leasing manager in respect of its activities which are entitled to 8.25% tax rate: or • an unrelated shipping principal.
0% tax rate	Profits derived from QSRA carried out for an associated ship lessor or ship leasing manager in respect of its activities which are entitled to 0% tax rate under the existing ship leasing tax regime.
Tax exemption	Profits derived from QSRA carried out for a connected ship operator in respect of its activities which are entitled to tax exemption under section 23B of the Inland Revenue Ordinance.

To enjoy the concessions, the qualifying criteria are:

Entity requirements	<p>The ship agent, ship manager or ship broker is a standalone corporation solely carrying out QSRA in Hong Kong.</p> <p>The minimum numbers of QSRA in a year of assessment (“YoA”) are:</p> <ul style="list-style-type: none"> • for a ship agent = one qualifying ship agency activity; • for a ship manager = two qualifying ship management activities; • for a ship broker = one qualifying ship broking activity. <p>If the ship agent, ship manager or ship broker also engages in non-qualifying activities, the following safe harbour rules apply:</p> <ul style="list-style-type: none"> • its profits from QSRA are not lower than 75% of its total profits for the basis period in the subject YoA; and • the value of its assets used to carry out QSRA is not lower than 75% of the total value of all its assets at the end of the basis period of the subject YoA. <p>The safe harbour rule is determined either on:</p> <ul style="list-style-type: none"> • a single year basis – where the minimum percentages of 75% for profits and assets should be met for the subject YoA; or • a multi-year basis - where the minimum percentage of 75% for profits and assets is each based on the average of the subject YoA and the preceding 1 YoA or 2 YoA, depending on whether the corporation has carried on business for less than 2 years or over 2 years respectively. <p>The Commissioner of the Inland Revenue may, on application by a corporation, determine that it qualifies for the concession if the Commissioner considers that the relevant conditions or safe harbour rule would, in the ordinary course of the corporation’s business, have been satisfied.</p>
Central management and control (“CMC”) requirement	The ship agent, ship manager or ship broker has to exercise its CMC in Hong Kong to demonstrate that its business operations are domiciled in Hong Kong with substance.
Substantial activity requirement	<p>The ship agent, ship manager or ship broker has to carry out the core income generating activities (“CIGA”) in Hong Kong by meeting the following threshold requirements relating to CIGA in Hong Kong:</p> <ul style="list-style-type: none"> • employ at least 1 full-time qualified employee; and • incur at least HK\$1 million of annual operating expenditure. <p>The CIGA can be outsourced to a group company. Under such a scenario, the employees and annual expenditure of the group company will be taken into account if an arm’s length fee is charged by the group company and the corporation has exercised adequate monitoring of the relevant CIGA carried out by the group company.</p>

“The ship agent, ship manager or ship broker has to exercise its CMC in Hong Kong...”

HONG KONG

(Continued)

Anti-avoidance provisions	Anti-avoidance provisions apply as follows: <ul style="list-style-type: none">• The main purpose test – the tax concessions shall be denied if the main purpose, or one of the main purposes, of the arrangement is to obtain a tax benefit in Hong Kong or under a tax treaty.• The anti-tax arbitrage rule – for service fees paid by an entity that is subject to the full profits tax rate (16.5%) to a connected ship agent, ship manager or ship broker that is subject to the half rate (8.25%), the tax deduction of the service recipient would be reduced by reference to the amount of tax saving obtained by the service provider.• The arm's length principle – transactions between associates in connection with QSRS would be subject to transfer pricing adjustments.
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The bill reflects the Government's recognition of the competitive landscape for maritime business in the region. As maritime services are expected to see robust demand from Asia, the proposed tax concessions would assist to attract overseas operators to set up offices in Hong Kong and form a strong maritime cluster of shipping group and maritime services here. Based on studies conducted by the Government, this proposed new tax regime for maritime services would lead to, over 10 years, cumulative incremental maritime service business receipts of about HK\$32.5 billion and direct employment of 27,600 jobs in term of man-years.

INDIA

Sharp & Tannan

Chartered Accountants

CERTAIN DEVELOPMENTS IN THE REPORTING FRAMEWORK OF NON-BANKING FINANCE COMPANIES (NBFCs) IN INDIA

1.0 Background

The Non-Banking Finance Companies (NBFCs) ecosystem in India is a place of immense diversity covering a diverse set of products, customer segments, and geographies. Over the last five years, the NBFC sector has grown at an average rate of almost 18%. It has evolved in terms of size, operations and technological sophistication with entry into new areas of financial services and products. Regulations have also evolved to address various accompanying risks and concerns to keep pace.

Today NBFCs are the largest net borrowers of funds from the financial system. Failure of any large NBFC may translate into a risk to its lenders with the potential to create a contagion. Similarly, the failure of any large and deeply interconnected NBFC can also disrupt the operations of the small and mid-sized NBFCs through a domino effect by limiting their ability to raise funds. Thus, NBFCs have become systemically important to the country's financial system.

2.0 Summary of recent norms applicable to NBFCs

2.1 Scale based regulations (SBR): These regulations introduced in October 2021 categorise the NBFCs in proportion to their size, activity, and risk profile. The SBR require NBFCs to comply with the capital, prudential and governance guidelines.

Accordingly, NBFCs are categorised as:

1. Base Layer (NBFC-BL)
 - a. non-deposit taking non-systemically important NBFCs (NBFC-NDs) below the asset size of INR 1,000 crore (USD 128.2 million),
 - b. NBFCs without public funds and customer interface and
 - c. certain NBFCs undertaking specific activities (e.g., peer-to-peer lending platform, account aggregator, etc.)
2. Middle Layer (NBFC-ML)
 - a. deposit taking NBFCs

(Continued)

- b. non-deposit taking NBFCs with asset size of INR 1,000 crore (USD 128.2 million) and above
 - c. systemically important non-deposit taking NBFCs (NBFC-NDSI) like standalone primary dealers (SPD), infrastructure debt funds (IDF), core investment companies (CIC), housing finance corporations (HFC), and infrastructure finance companies (IFC).
3. Upper Layer (NBFC-UL): Those specifically identified by RBI as warranting enhanced regulatory requirements. The top ten eligible NBFCs in terms of their asset size shall always reside in the upper layer, irrespective of any other factor.
 4. Top Layer (NBFC-TL): Ideally an empty layer, where an NBFC would be slotted at RBI's discretion if such NBFC is contributing significantly to systemic risk.

2.2 Large exposures framework (LEF) for the NBFCs in the upper layer

From 1 October 2022 the NBFCs in the upper layer (NBFC-UL) will be brought at par with the banks. The norms specify the maximum exposure that an NBFC can take with respect to its single and group 'counterparties.'

- Large Exposure (LE) means the sum of all exposure values of an NBFC-UL measured (as indicated) in the regulations to a counterparty and/or a group of connected counterparties if it is equal to or above 10% of the NBFC-UL's eligible capital base.
- RBI has fixed upper limits on NBFC-UL for LE through lending to single as well as a group of connected counterparties.
- The framework will apply to NBFC-UL at the 'solo' level as well as the 'group' level.
- Exposure shall mean on and off-balance sheet exposures.

The LE limits are summarised as under:

Exposure towards	NBFC-UL (other than IFC*)	NBFC-UL (IFC)
Single Counterparty	<ul style="list-style-type: none"> • 20% • additional 5% with Board approval • additional 5% if exposure towards Infrastructure loan/investment <p>(Single counterparty limit shall not exceed 25% in any case)</p>	<ul style="list-style-type: none"> • 25% • additional 5% with Board approval
Group of connected Counterparties	<ul style="list-style-type: none"> • 25% • additional 10% if exposure towards Infrastructure loan/investment 	<ul style="list-style-type: none"> • 35%

"...the NBFCs in the upper layer (NBFC-UL) will be brought at par with the banks..."

*Infrastructure Finance Company

NBFC-UL will henceforth report its following LEs:

1. 10 largest exposures to counterparties (single as well as a group of connected counterparties) irrespective of their values relative to NBFC-UL's eligible capital base
2. Large exposures with values equal to or above 10% of Tier I Capital
3. Other exposures
4. Exempted exposures with values equal to or above 10% of Tier I Capital

2.3 Regulatory restrictions on loans and advances granted by NBFCs in the upper layer and middle layer

With effect from 1 October 2022, an NBFC-ML, and NBFC-UL will be allowed to grant loans/advances to the following persons (aggregating to INR 5 crore (USD

(Continued)

0.64 million) and above, only with the prior sanction of its Board of Directors (BOD) / Committee of Directors

- a) Directors (including the Chairman/ Managing Director) and relatives of the directors
- b) Firms and companies in which directors/relatives are partners/directors/major shareholders, managers, employees, and guarantors.

Loans to senior officers of NBFC shall be reported to the BOD.

Loans to real estate sector: While appraising loan proposals involving real estate, NBFCs shall ensure that the borrowers have obtained prior permission from government/ local government/ other statutory authorities for the project, wherever required.

2.4 Certain additional disclosures in the financial statements for the year ended 31 March 2023

For the year ended 31 March 2023 and thereafter, NBFCs need to disclose:

- 2.4.1 Comparative information for the previous period for all amounts reported in the current period's financial statements.
- 2.4.2 Comparative data for narrative and descriptive information if it is relevant to understand the current period's financial statements.

The above-mentioned disclosures are in addition to the existing regulatory requirements.

Disclosure templates

RBI has developed a format of disclosure templates to standardise the reporting mechanism.

Section I: Applicable to all the layers of NBFC, i.e., base layer (BL), middle layer (ML) and upper layer (UL): Disclosures are in the form of:

- Exposures taken (including exposures to sensitive sectors),
- Related party disclosures,
- Complaints from customers and ombudsman.

Section II: Applicable to NBFC-ML and NBFC-UL: Disclosures apply to both listed and unlisted NBFCs in the areas of:

- Corporate governance
- Breach of covenants
- Divergence in asset classification and provisioning

Section III: Applicable to NBFC-UL

As per the scale-based regulations framework issued by RBI, NBFC-UL shall be mandatorily listed within three years of identification as NBFC-UL. Accordingly, upon being identified as NBFC-UL, unlisted NBFC-ULs shall draw up a Board approved roadmap for compliance with the disclosure requirements of a listed company under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

"...loan proposals involving real estate, NBFCs shall ensure the borrowers have obtained prior permission from government/ local government/ other statutory authorities..."

3.0 Conclusion

Considering the growth of the NBFC sector and its interconnectedness within the economy's financial sector, India's Central Bank, i.e., Reserve Bank of India, felt it necessary to align the regulatory framework appropriate to their level of activity and risk. Moreover, the new regulations will bring the NBFC sector at par with banks on the reporting front. The recently notified disclosures will provide clarity to the stakeholders on the various activities undertaken, risk exposure and the performance of the NBFC year on year. At the same time, it will provide ample time for the NBFCs to comply with the disclosure requirements and help them gear up for a higher level of reporting soon.

MALAYSIA'S PRINCIPAL HUB INCENTIVE

MALAYSIA



The Principal Hub (“PH”) incentive was first introduced in 2015 to replace the Regional Distribution Centres, International Procurement Centres and Operational Headquarters. From its inception, the PH incentive has been enhanced twice to strengthen Malaysia’s competitiveness as the preferred destination for multinational companies (“MNCs”) to set up its regional headquarters.

The latest guidelines on the PH incentive which took effect from 1 January 2021 was released by the Malaysian Investment Development Authority (“MIDA”) in 2021 and the Income Tax (The Principal Hub Incentive Scheme) Rules 2022 (“2022 Rules”) was gazetted on 19 May 2022.

Generally, a PH is a locally incorporated company that uses Malaysia as a base to conduct its regional or global businesses and operations and to manage and support its key functions, including management of risks, decision making, strategic business activities, finance, management, and human resource. PHs are established by MNCs to minimize replicating models and improve quality and speed at a lower cost. A PH structure enables MNCs to provide better sharing of resources between group of companies.

The qualifying activities of a PH are as follows:

Strategic Services	Business Services	Shared Services
<ul style="list-style-type: none"> Regional P&L/Business Unit Management Strategic Business Planning and Corporate Development Corporate Finance Advisory Services Brand Management IP Management Senior-level Talent Acquisition and Management 	<ul style="list-style-type: none"> Bid and Tender Management Treasury and Fund Management Research, Development & Innovation Project Management Sales and Marketing Business Development Technical Support and Consultancy Information Management and Processing Economic / Investment Research Analysis Strategic Sourcing, Procurement and Distribution Logistics Services 	<ul style="list-style-type: none"> Corporate Training and Human Resource Management Finance & Accounting (Transactions, Internal Audit)

“...to minimize replicating models and improve quality and speed at a lower cost...”

The details of the latest enhanced PH incentive are as follows:

	New company		Existing company
	Tier 1	Tier 2	
Corporate tax rate	0% for 5 + 5 years on statutory income from qualifying services	5% for 5 + 5 years on statutory income from qualifying services	10% for 5 years on statutory income from qualifying services
Paid up capital	More than RM2.5 million		
Minimum serving / business control of number of network companies	10 (including 4 related companies)	7 (including 3 related companies)	7 (including 3 related companies)

MALAYSIA

(Continued)

	New company		Existing company
	Tier 1	Tier 2	
Annual operating expenditure	1 st 5 years - RM10million 2 nd 5 years – RM13million	1 st 5 years - RM5million 2 nd 5 years - RM7million	RM10million
Number of high value jobs (including key posts) (basic monthly salary of at least RM5,000)	1 st 5 years – 50 2 nd 5 years – 60	1 st 5 years – 30 2 nd 5 years – 36	30
Number of key posts (basic monthly salary of at least RM25,000)	1 st 5 years – 5 2 nd 5 years – 5	1 st 5 years – 4 2 nd 5 years – 4	5
Qualifying services	Regional P&L/Business Unit Management, Strategic Business Planning & Corporate Development + 2 other qualifying services under Strategic Services, Business Services or Shared Services		
Use of local ancillary services	Local financial institution services (including finance and treasury), logistics, legal and arbitration services, finance, and treasury services)		
Structured internship programme / training scheme introduced by the Government	Not applicable	Not applicable	To conduct the programme to train at least one graduate every year
Structured training programme	Not applicable	Not applicable	At least 10% of local workforce from the entire workforce to undergo a structured training programme for upgrading of skills in related qualifying services

“...must submit a written application to MIDA not later than 31 December 2022...”

To be eligible for the PH incentive under the 2022 Rules, a qualifying company must submit a written application to MIDA not later than 31 December 2022.



Overview

The term “family office” conjures up images of classical oak-panelled offices from the Tudor period, super yachts and mansions that span a few hundred thousand square feet of land. But, the concept of family office is not a new one. It has been around for centuries. In the past decades, significance of family office has been brought back into focus by tremendous growth in number of successful businesses around the world, especially in Asia. This has led to the need for wealth planning to ensure the succession of family businesses, and wealth preservation and accumulation.

With globalisation, family offices have transformed from privately-run family businesses run by family members to professionally-managed corporations run by groups of trusted professionals with expertise in various areas, based on the unique family values, culture and legacy, and, at times, personal belief.

What is a family office?

As you can see, the concept of family office is a flexible one. Asian families consider family office as the like of private investment arm to manage the families’ private equity investments, real estates and publicly-traded stocks and bonds. However, a family office is, in essence, an entity setup to professionalise the provision of day-to-day administration and management of financial and non-financial affairs to high net worth (“HNW”) families. These affairs range from formulating investment strategy and executing investment decision and management in sync with the family values, needs and goals, to provision of concierge lifestyle services such as education advice to younger generations and conflict resolutions among family members.

Generally, there are 2 broad types of family offices, namely Single Family Office (“SFO”) and Multi Family Office (“MFO”). SFO provides services to the members of the same HNW family while MFO provides services to the members of multiple HNW families. In the last couple of decades, SFOs have proliferated in Asia due to the significant increase in wealth generated by the 1st and 2nd generations of entrepreneurs in China and emerging countries in the region. They are heavily involved in the SFO with the family businesses serve as the primary source of fueling wealth generation and accumulation.

“...SFOs have proliferated in Asia due to the significant increase in wealth generated by the 1st and 2nd generations of entrepreneurs...”

How do I determine a suitable jurisdiction to setup a SFO?

Before setting up a SFO, the HNW families must consider the following when deciding where to host their family offices: -

- **Ease of doing business**
Clear, simple, and business-friendly regulatory framework
- **Political stability and regulatory framework**
Stable and business-friendly political climate, and ample updated, clear, and unambiguous resources to regulatory framework
- **Availability of wealth management infrastructure**
Established financial services professionals e.g., banks, trustees, fund managers, lawyers, accountants and, *but not limited to*, tax professionals
- **Setup and compliance cost**
Setup and on-going compliance expenses should be affordable
- **Tax regime**
Attractiveness of local tax framework e.g., availability of tax incentives/exemptions

Singapore as the jurisdiction of choice

Over the last decades, Singapore has increasingly become the jurisdiction of choice due to its political stability and significant social economic advancement since its independence on 9 August 1965 and the following other factors: -

- **Leading Financial Hub**
Singapore is one of the world’s top financial hubs, and it is strategically located as a bridge to Asia and rest of the world with its network of highly regulated yet pro-

SINGAPORE

(Continued)

“...DTAs with more than 90 countries around the globe...”

business financial institutions, and extensive Double Taxation Agreements (“DTAs”) and Free Trade Agreements (“FTAs”) as mentioned below

➤ **Exemplary reputation**

Singapore is consistently branded as a country that has a high standard of living, safe and clean with world-class healthcare and education systems. It also has clear, simple, and open regulatory framework whether most regulatory resources are updated and freely available online. Thus, many HNW families are keen to reside and invest in Singapore.

➤ **Holistic wealth management infrastructure**

Singapore government is highly supportive of the country's role as a wealth management hub e.g., attracting and grooming talents, introducing various tax incentives for family offices, trusts and fund management companies, and having a robust and strong financial institution providing ready access to global financial markets with its full suite of wealth planning and management services

➤ **Competitive tax regime**

Singapore has relatively competitive tax rates and incentives e.g.

- no capital gain tax
- no inheritance tax
- no tax on foreign-sourced income for individuals
- personal income tax rates ranging from 0% to 24%
- corporate income tax rate at 17% (subject to partial tax exemption on 1st S\$200,000 of chargeable income)
- withholding tax rates ranging from 0% to 24% (subject to claiming benefits under DTAs)
- DTAs with more than 90 countries around the globe where Singapore tax residents may be protected from being taxed twice on the same income in Singapore, and may claim the benefits of reduced foreign withholding tax rates on certain income such as interest, dividend and, *but not limited to*, royalty (depending on the terms of each DTAs), and exemption from the tax on income for personal services, teachers, researchers, artistes, athletes, students, trainees, etc.
- FTAs with 27 countries where Singapore-based exporters and investors respectively stands to enjoy a myriad of benefits like tax exemption tariff concessions, preferential access to certain sectors, faster entry into markets and Intellectual Property protection
- tax exemptions on specified income from designated investments e.g., gains/income from shares, debt securities and loans: -
 - Offshore fund (Section 13D)
 - Onshore fund (Section 13O)
 - Enhanced-tier fund (Section 13U)

		S13O (formerly S13R)	S13U (formerly S13X)
1	Must be approved by Monetary Authority of Singapore (“MAS”)	Yes	Yes
2	Changes in investment strategy must be approved by MAS	Yes	Yes
3	Legal form of the Fund	Singapore company (incl. Singapore Variable Capital Company) and must not have previously carried on business in Singapore	N/A
4	Investors	Non-qualifying investors i.e., Singapore non-individuals investing above certain % in the Fund, would need to pay a financial penalty to	N/A

(Continued)

		Singapore tax authorities	
5	Residency of the Fund	Singapore tax resident	N/A
6	Fund Administrator	Singapore-based	Singapore-based if the Fund is a Singapore-incorporated and resident company
7	Min. Assets under Management (“AUM”) of the Fund <i>AUM refers to Net Asset Value based on accounting convention. Thus, monies/assets injected into the Fund in the form of Shareholder’s loan will not count towards AUM</i>	On application: S\$10 million Within 2-year: S\$20 million	On application: S\$50 million
8	Min. Investment Professionals (“IPs”) employed by the SFO who are Singapore tax residents <i>IPs refer to portfolio manager, research analyst and trader who are earning > S\$3,500/month, expected to have academic background/professional experience and must engage substantially in the qualifying activity</i>	On application: 2 IPs	On application: 3 IPs of which 1 IP must be non-family member
		Within 1-year: To employ 2 nd IP if unable to employ 2 IPs on application	Within 1-year: To employ non-family IP if unable to employ non-family IP on application
9	Local Investment - equities listed on Singapore-licensed exchanges - qualifying debt securities - funds distributed by Singapore-licensed or Singapore-registered fund managers - private equity investments into companies that are not listed but are incorporated and operating business in Singapore e.g., start-ups	On application: 10% of AUM or S\$10 million, whichever is lower, in Local Investments at any one point in time Within 1-year: 10% of AUM or S\$10 million, whichever is lower, in Local Investments at any one point in time if unable to fulfil on application	
10	Min. Annual Business Spending to be incurred by the Fund – per tiered framework		
	AUM at end of reporting period: -	Total business spending	Local business spending
	- AUM < S\$50 million	S\$200,000	S\$500,000
	- S\$50 million ≤ AUM < S\$100 million	S\$500,000	
	- AUM ≥ S\$100 million	S\$1,000,000	

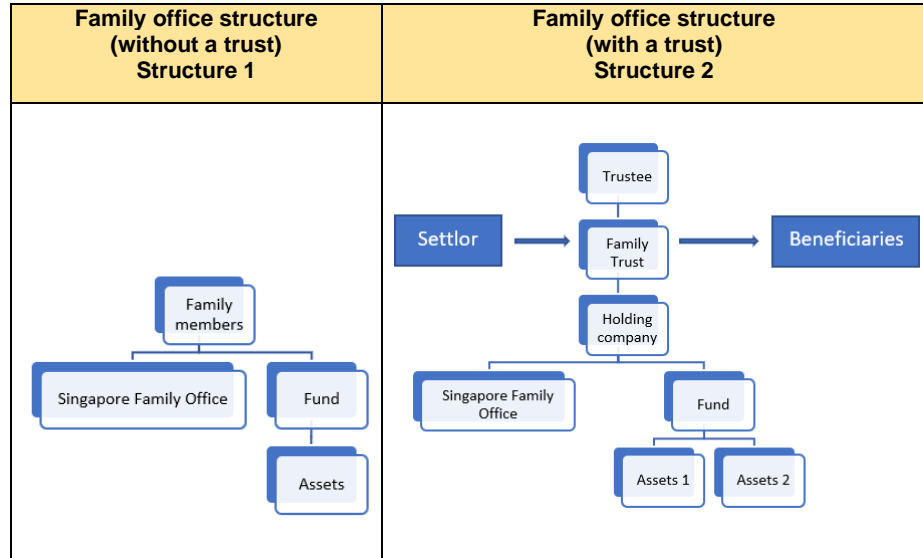
SINGAPORE

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Selection of a suitable SFO structure

SFO structure varies between HNW families as it depends on each HNW families' requirements and purposes. The SFO structure could range from simple investment holding structure to complex arrangements involving trusts, beneficiaries, multiple funds/sub-funds or even asset classes.

The following are the 2 common family office structures for your reference: -



Singapore Family Office is a Singapore-incorporated company. Generally, single family office managing funds on behalf of a single HNW family will qualify for exemption to obtain a license under the Securities and Futures Act ("SFA") if the family office and the fund are within the same group. Otherwise, specific licensing may need to be applied from MAS.

In structure 1, as the Singapore Family Office and Fund are owned by individual family members, it will not qualify for exemption to obtain a license under SFA. Thus, the Singapore Family Office would need to apply a specific license from MAS.

"...important to institute an effective corporate governance framework to ensure efficient running of family office..."

What are the compliance and operational considerations of a SFO?

As a family office is, in essence, an entity setup to professionalise the provision of day-to-day administration and management of financial and non-financial affairs to HNW families, it is important to institute an effective corporate governance framework to ensure efficient running of the family office and to mitigate hiccups in the ever-changing circumstances due to e.g., conflict, marriage, death, divorce, children and grandchildren, and any other unforeseen circumstances.

The following are some of the factors to consider when tailoring an effective corporate governance framework to ensure sound and objective investment strategy and decision are made, mitigate conflict, and improve relationship, and ensure compliance with the relevant laws and regulations: -

- Segregation of duties among board of directors, investment, finance, remuneration, compliance, and other professionals
- Open, honest, and frequent communication between all stakeholders
- Formalise a succession protocol to identify, groom and install successors in any unforeseen circumstances
- Employment of qualifying professionals to ensure compliance, and wealth creation and accumulation

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What are the potential challenges that a SFO may face?

As in life, there are bound to have challenges and the following are some of them for consideration: -

- **Technological advancement and cyber security threat**
No matter how simple an investment is, technology is always lurking in between the process. The most typical is transfer of funds and the more complex are trading of shares, bonds, options, and more sophisticated financial products.

How do you stay up to date about technological advancement and ensure your smartphone, laptop and online platforms are secured from rising virus and/or scam attacks? Many may not be sufficiently aware of vulnerabilities of such attacks on online platforms and hardware.
- **Compliance with corporate governance and regulatory frameworks**
It may seem easy to comply with the relevant corporate governance and regulatory frameworks at first. However, as the economic environment and investment landscape have changed so much, the relevant licensing, tax and accounting have also evolved and changed. This will place compliance burden on the SFO to continuing update and comply with the latest laws and regulations.
- **Transition of power between generations**
For many family offices, the most challenging task is generational change. How do you plan and manage the transition of power from 1st generation to the next where each have different educational and investment background, priorities and needs?

"...the most challenging task is generational change..."

Conclusion

As wealth is created, more HNW families are holding assets beyond their homelands and blurring their residencies. It is of utmost important to initiate succession/legacy planning, wealth preservation, accumulation, and transfer because there is no better time to establish a family office in Singapore than now. Singapore that offers safe, clean, and high standard of living environment to live, work and play, political stability, excellent infrastructure and talents, tax incentives and benefits, is the attractive jurisdiction to setup your family offices to ensure family's legacy is inherited by the generations to come.

Disclaimer

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

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NETWORK OF THE YEAR



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