

Financial Services Update

New rules for listing of hedge funds effective 29 June 2006

Introduction

The Singapore Exchange Limited (the “**SGX**”) announced that a new set of rules for the listing of hedge funds is effective from today, 29 June 2006.

The new rules are principally set out in Rules 413 and 414 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “**SGX-ST Listing Manual**”). They contain the following key features:

Listing requirements

(i) Authorisation or recognition

A hedge fund applying for listing must be authorised or recognised under section 286 or 287 of the Securities and Futures Act (the “**SFA**”) if it is intended to be offered to the public, or it must be offered only to institutions and/or accredited investors.

(ii) Minimum asset size requirements

A hedge fund denominated in Singapore Dollars must have a minimum asset size of at least S\$20 million.

A hedge fund denominated in a foreign currency must have a minimum asset size of at least US\$20 million (or its equivalent in other currencies).

(iii) Requirements on prime broker

Where a hedge fund enters into transactions with or through a prime broker, the prime broker (or its parent company) must have:

- 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
- financial resources in excess of US\$200 million (or its equivalent in another currency).

(iv) Qualifications of management company and investment manager

The management company of a hedge fund must have been in operation for at least five years, or less, if the SGX-ST is satisfied that the management company is reasonably able to perform its duties.

The investment manager of a hedge fund must have at least one principal with at least five years of relevant investment management experience.

(v) Offering document

An offering memorandum or introductory document must be issued by a hedge fund and it must contain:

- adequate disclosure of all material risks specific to the hedge fund; and
- all provisions and/or conditions under which the hedge fund will be closed and all monies returned to its subscribers.

(vi) Other listing requirement specific to hedge fund

A hedge fund must have in place an independent risk management function.

No trading of units

There will be no trading in the units of a hedge fund that is admitted to the Official List of the SGX-ST.

Continuing listing obligations

If the key principal of the investment manager of a hedge fund leaves and cannot be replaced within a period of one month, the hedge fund will be required to wind up.

A hedge fund is required to observe the continuing listing obligations for investment funds stipulated in Rule 748 of the SGX-ST Listing Manual with, among others, the following modifications:

- it must announce its net asset value per unit, as soon as practicable after each month end, but in any event no later than seven business days;
- it must immediately announce any material change in relation to its operations, including but not limited to, any general suspension of calculation of net asset value, any change in its investment manager, custodian, administrator or independent auditor, or any redemption of 30 per cent. or more of the fund;
- the financial reports for the first half year and the full financial year of a hedge fund must give a breakdown of the income received between:
 - (i) dividends and interests; and
 - (ii) any other income;

- the annual report of a hedge fund is not required to provide:
 - (i) a list of substantial investments and the 10 largest investments as required under Rule 748(3)(a) of the SGX-ST Listing Manual;
 - (ii) an analysis of any provision for diminution in the value of its investments;
and
 - (iii) an analysis of realised and unrealised surpluses.

Useful references

Please [click here](#) to read the SGX's press release dated 28 June 2006 on the above topic.

Please [click here](#) to view the full text of the new listing rules for hedge funds in the SGX-ST Listing Manual.

Further information

If you have any general queries regarding the impact of these developments on your business or require any further information, please do not hesitate to contact:

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