Growing Asia's Markets

23 May 2025

Monetary Authority of Singapore
https://go.gov.sg/lifframework

The below responses will be submitted to the Monetary Authority of Singapore online system on 23 May.

ASIFMA AMG Response to MAS Consultation Paper on Providing Retail Access to Private Market Investment Funds

Name of Organisation:	Asia Securities Industry & Financial Markets Association ("**ASIFMA**") Asset Management Group ("**AAMG**")
Name of Individual / Contact Person:	Eugenie Shen
Contact Number:	+852 2531 6570
Email Address:	eshen@asifma.org
Do you wish to keep your identity confidential?	No
Do you wish to keep your submission confidential?	No

<u>Question on the Scope of Private Market Investment Assets</u>

Q1. MAS seeks views on the scope of private market investment assets that should be allowed under the LIF framework based on their suitability for retail investors, and whether to limit a LIF, particularly a Direct Fund, to being primarily invested in certain types of private market investment assets that have lower risks as a start.

On behalf of the Asset Management Group ("**AAMG**") of Asia Securities Industry & Financial Markets Association ("**ASIFMA**"), we would like to submit our response to the Monetary Authority of Singapore ("**MAS**") Consultation Paper on Providing Retail Access to Private Market Investment Funds ("**PMI funds**").

We support MAS' proposal to allow retail investors to gain exposure to private market investments ("**PMI**") in a risk-calibrated manner. We acknowledge that for products offered to retail investors, product and investment manager requirements and guardrails should be stricter than existing standards that apply to PMI funds offered only to institutional and accredited investors. The protection measures, however, should not be overly prescriptive and preferably align with standards set in other developed markets. They should not impact on the very returns being sought by retail investors from accessing this asset class nor unduly weigh on the commercial incentives for managers to make PMI funds available to retail investors in Singapore.

ASIA SECURITIES INDUSTRY & FINANCIAL MARKETS ASSOCIATION | Unit 3603, Tower 2 Lippo Centre | 89 Queensway Admiralty, Hong Kong | Tel: +852 2531 6500 www.asifma.org

Before responding to the specific Consultation Paper questions, set out below are our key comments on the proposed long-term investment fund ("**LIF**") framework to ensure its success, sustainability and benefits to Singapore retail investors.

(1) Recognition of offshore funds

As MAS propose that LIFs need to be authorised funds and the LIF manager to be licensed as a retail fund management company (LFMC), it appears that LIFs are limited to Singapore domiciled funds only. We strongly urge MAS to adopt the principle of equivalence in recognizing equivalent foreign domiciled funds (such as US non-traded REITs and non-traded Business Development Companies (BDCs), '40 Act tender offer funds and interval funds, European Long-term Investment Funds (ELTIFs), UK Long-Term Asset Funds (LTAFs) and Luxembourg alternative investment funds (AIFs) set up under Part II of the Law of 17 December 2010 relating to undertakings for collective investment) for sale to Singapore retail investors, similar to the existing recognized scheme arrangements which allow foreign domiciled schemes to be sold in Singapore under certain criteria (such as where the scheme is subject to similar laws and practices in the home jurisdiction as in Singapore and the manager of the scheme is regulated/licensed in its principal place of business and is fit and proper).

Limiting the regime to locally domiciled funds may not generate significant business interest from global asset managers, since creating a Singapore domiciled fund just for Singapore retail investors may not produce the required scale to make it economically viable for both the managers and the investors. In fact, the business model of some of our members currently precludes them from developing and launching locally domiciled LIFs. However, they would still like to be able to passport and register their existing EU- and UK-domiciled ELTIFs /LTAFs/AIFs under the MAS recognised scheme, in a similar way as their UCITS funds. The foregoing would provide a more attractive and cost-effective proposition for global fund managers, with flow-on benefits for end investors. It would also offer Singapore retail investors access to a wider set of investment opportunities for portfolio diversification.

If MAS insist that LIFs should be locally domiciled, we suggest that MAS allow LIFs to be structured as a feeder fund that could feed into a single offshore master PMI fund.

(2) Aligning with overseas standards

We suggest that MAS consider aligning the LIF framework requirements with well-established overseas standards as much as possible to better leverage existing investment hubs, capabilities and a large pool of investment professionals. This would allow for cross-pollination of investment expertise and scalable access to foreign funds under an equivalence scheme mentioned above. Using foreign-domiciled PMI funds as building blocks for the local LIFs can significantly increase the types of PMI funds available to Singapore retail investors as well as reduce the compliance burden of fund managers for the local LIFs. We have taken the opportunity here and in our responses to subsequent questions to highlight aspects of different overseas regimes that MAS may wish to adopt.

(3) Unified approach to Direct Funds and LIFFs

The strict bifurcation between Direct Funds and long-term investment fund-of-funds (LIFFs) with two sets of rules seems to be overly complicated and limits a blended investment approach. We believe a singular or unified approach would be simpler for retail investors and fund managers to understand, and provide flexibility to fund managers, at their discretion, to select a hybrid strategy of investing both directly in PMI assets and via fund-of-funds (FoFs).

(4) Wider spectrum of allocation between private and public assets

We are of the view that retail investors are best served by having access to a range of products which are appropriate for their needs. This includes enabling product allocation among different asset classes – from public to private or a combination of the two, in order to meet the needs of investors with different liquidity needs, risk appetite, and varying degrees of experience and comfort in investing in alternatives. Precluding this choice drives investors to a binary choice of full private to full public, which may not be aligned with an objective of increasing access of retail investors to these asset classes. In this context, we would suggest removing the concept of "primarily invested in private market investments" to facilitate a wider range of products with different allocations between public and private assets.

For example, public-private solutions (PPS) could be an appropriate product for retail investors to transition into private assets. In comparison with funds that are comprised of all or predominantly private assets, a PPS fund offers a hybrid mix of public and private assets, and its interval nature of allowing periodic redemptions offers better liquidity terms than PMI funds which are subject to long lock-up periods, thereby providing investors greater flexibility in managing their PMI. Fees of PPS are also more in line with public market funds (generally lower than PMI funds). From a policy perspective, PPS may encourage greater adoption by interested retail investors with lower risk appetite or are wary of the risks and illiquidity of PMI funds that are entirely made up of illiquid or less liquid assets.

This approach of allocation flexibility between private and public assets would be more in line with what we see in other overseas markets. For example, Japan allows funds established in the form of domestic investment trust (DIT), which are distributed to retail investors, to invest up to 50% in illiquid assets (e.g., unlisted stock or private equity) with certain safeguard measures in place. LTAF sets the minimum percentage of investment in unlisted and long-term assets at 50% and ELTIF 2.0 implemented in January 2024 reduced the minimum capital invested in illiquid assets from 70% to 55%. Another useful case study to consider for enabling retail investors access to private assets is US interval funds. Interval funds allow retail investors to access private assets with greater transparency and liquidity than PMI funds and greater private asset exposure than mutual funds. Interval funds are legally classified as closed-end funds, with all share purchases and sales conducted at NAV. The main differences of interval funds from mutual funds are the significantly greater flexibility to invest in illiquid positions and the relatively limited investor illiquidity. While US mutual funds are restricted to holding no more than 15% of portfolio assets in illiquid securities, interval funds are not subject to any similar caps on illiquid positions. Unlike mutual funds, which offer investors daily redemption rights at NAV, interval funds make repurchase offers only periodically (on a quarterly, semi-annual or annual basis), offering investors some liquidity while investing in illiquid private assets.

Therefore, we suggest that MAS consider allowing a wider spectrum of allocation to illiquid/liquid assets which would provide retail investors with more choices in investment liquidity and risk mitigation given that retail investors may have different levels of sophistication and learning curves.

We also suggest that MAS consider allowing existing retail public market funds to have more flexibility to invest in private market, where the mandate permits. This would further expand the range of investment options available to retail investors while leveraging existing fund structures to facilitate access to private markets.

(5) PMI asset classes

Similarly, it is important to allow flexibility across the range of PMI asset classes, without asset class-specific criteria, such as restricting access to different stages of the PMI asset lifecycle (e.g. brown-field versus green-field) to provide the most attractive risk-return profile for retail investors. Please refer to our response further below and in our response to Question 2 Investment strategy and permissible investment. We are of the view that managers should have the choice to make investments according to their clients' needs and risk appetite with safeguards in the form of additional disclosures to them.

(6) Eligible investors

Given the LIF framework allows retail investors to access PMI funds, we assume that the framework also opens up opportunities to invest in LIFs for other types of investors (e.g., insurance companies) which may not be allowed to invest in private assets traditionally. It would be helpful if MAS can confirm this understanding. In addition, it might be useful for MAS to consider alignment and incorporation of LIFs into the existing insurance-related regulations, such as the MAS307 notice, and allow for similar provisions around valuation, reporting and disclosure requirements where insurance-linked products feed into a LIF.

Below is our specific response to Question 1 of the Consultation.

As mentioned previously, we suggest that the scope of assets and strategies for LIFs should be as broad as possible rather than setting prescriptive requirements. It is helpful if flexibility is given to the fund manager to determine and assess the most appropriate PMI assets selection for its investment fund subject to the objectives, strategies and restrictions in the relevant fund documentation. Pre-determining criteria for the PMI assets would hamper retail investors' ability to access the "true" private markets arena. Instead, it may be more suitable for criteria to be placed on a fund's features (i.e., liquidity, spread of investments, etc.) to safeguard retail investors' interest.

If MAS considers there is truly a need to pre-determine the criteria or scope of PMI, we suggest that the scope at least be aligned with standards under the US non-traded REITs and non-traded BDCs, '40 Act tender offer funds and interval funds frameworks, and the ELTIF and LTAF frameworks which offer retail investors access to quite broad ranges of private assets. Below are some more detailed suggestions on the permissible scope of asset classes.

Real estate as an asset class for Direct Fund structure

We note that MAS propose to exclude real estate from Direct Funds' investment scope, while allowing it to be invested by LIFFs indirectly. It creates inconsistency between the two structures in the level of portfolio diversification they can achieve. In addition, excluding real estate from Direct Funds' investment scope may create confusion among investors who may typically consider real estate as a PMI asset and expect a diversified exposure to various asset classes including real estate via PMI funds. Such investors may need to seek real estate exposure via other means, which could result in non-optimal portfolio construction from a retail investor's perspective. Therefore, we respectfully request that MAS include real estate as an asset class for Direct Funds' investments.

In addition, access to real estate via PMI funds is not a duplication of the existing REITs regime. PMI funds can offer access to strategies that REITs cannot pursue as REITs are typically subject to certain regulatory constraints, e.g., the property must be income-producing, and REITs must maintain a certain gearing ratio (i.e., debt to total property value). Including real estate for Direct Funds' investments would broaden retail investors' access to differentiated real estate opportunities, enhancing portfolio diversification. Further, publicly listed REITs are highly correlated to the equity markets unlike PMI funds so investors should not be deprived of the opportunity to diversify their portfolio by way of real estate through a PMI fund.

Moreover, there may be cases where a property comprises both real estate (which is proposed to be excluded from Direct Funds' investment scope) and infrastructure (which is proposed to be included in scope) components. For example, a mixed-use development may include commercial real estate alongside infrastructure elements such as transportation hubs or utility facilities. In such situations, it can be challenging to separate the real estate and infrastructure components. Allowing real estate as a permissible asset class for Direct Funds would provide greater flexibility and coherence in managing these integrated investments.

Criteria for definition of 'lower risk'

It would be helpful if clarity can be provided on the criteria and characteristics of 'lower risk' private market instruments under Paragraph 3.6.

What is a 'diversified portfolio' suitable for retail investors

It would also be helpful if MAS can provide guidance to determine what is considered a 'diversified portfolio' for a LIFF manager if it is acknowledged that it may not be practicable for the LIFF manager to find funds that commit to primarily invest in assets that meet the criteria of PMI assets that have generally lower risk.

Questions on Direct Fund Requirements

Q2. MAS seeks views on the various proposed (a) manager, (b) product and (c) disclosure requirements for Direct Funds.

Proposed aspects where requirement(s) may be established	Feedback
(a) Manager requirements	
Manager expertise	We are of the view that the manager requirements should be consistent between Direct Funds and LIFFs, which we suggested earlier should not be distinguished. Below are our detailed comments and suggestions on the manager's expertise requirements which should apply to both Direct Funds (in Paragraph 4.2) and LIFFs (in Paragraphs 5.3-5.4). Delegation of investment management First and foremost, we strongly recommend that MAS allow delegation of investment management of Direct Funds and/or LIFFs, at least to a foreign affiliated sub-manager. This is because PMI funds often leverage specialized sub-managers/sub-advisors to manage those specific strategies or asset classes in which they have developed deep expertise and strong credentials. These sub-managers/sub-advisors are not necessarily based in a single location and a lot of them are based outside the APAC region. Therefore, investment delegation will allow a fund to benefit most from the fund manager's global expertise and resources while maintaining compliance with local regulations. If investment delegation is allowed, we suggest that MAS take into account the qualification of sub-advisors/sub-managers when assessing the fund managers' expertise. This would provide a more comprehensive evaluation of the fund's overall management capabilities and ensure that retail investors benefit from high-quality investment expertise not just in Singapore but elsewhere in the world. Retail LFMC license We suggest that managers who distribute their funds exclusively through distributors with retail license should **not** be required to obtain a retail fund management company (LFMC) license for managing Direct Funds and/or LIFFs. Global fund managers typically partner with local distributors who possess the necessary local license and expertise to engage with retail investors, including marketing, advisory and compliance with investor safeguards and authorization requirements. Requiring fund managers to hold a retail license in addition to the distributor's

Growing Asia's Markets

	license would result in regulatory duplication, particularly for global distribution models. Such a deviation from established practice may reduce Singapore's attractiveness to global fund managers. Where a fund manager does not currently partner with a distributor with retail license and needs to obtain the LFMC license for conducting LIF businesses, we suggest that an accelerated license application be made available for those that already deal with Institutional or Accredited Investors if certain criteria are met (e.g., have a clean compliance track record). <u>Minimum AUM</u> Paragraph 5.3(b) proposes that the manager, "with its related corporations, manage at least S$1 billion of the relevant private market investments". We suggest that this requirement be applied also if there is a sub-manager/sub-advisor based out of Singapore being appointed to manage/advise the fund. In addition, it would be helpful if there is clarity on what is meant by "relevant private market investments". We hope that it should include all sub-asset classes of PMI under the manager and its related corporations, i.e., the S$1 billion requirement applies in aggregate across all sub-asset classes. <u>Representative/personnel requirements</u> Paragraph 5.3(c) proposes that the manager "have at least 3 full-time representatives who are resident in Singapore and each have at least 5 years of experience in managing private market investments". We believe that it is unnecessary to require the manager to have at least 3 full-time investment management representatives in Singapore if it can leverage its overseas affiliates' expertise in managing private market investments through investment delegation. This will not only benefit Singapore investors but also reduce cost for the global asset managers. Further, if the fund is feeding into a master fund, we suggest that MAS consider exempting the manager from the aforementioned requirements on representatives as long as the master fund is managed under laws and practices of the fund domicile jurisdiction and such laws and practices can provide Singapore investors with equivalent protection. By extension, the underlying master fund manager should also not be required to obtain a LFMC license.

	In addition, it would be helpful if MAS can clarify what are the criteria for PMI experience to be considered relevant. We assume managers managing public funds that allow allocation to unlisted securities would be considered to have relevant PMI experience. For open-ended PMI funds (also known as evergreen funds), in particular, we would expect that relevant experience should also include experience and track record in managing liquidity across different stress scenarios, such as during the Global Financial Crisis, . Such liquidity management (including the ability to efficiently handle subscriptions and redemptions, implement effective fund gates or redemption queues, and conduct rigorous stress testing of the portfolio under various market conditions) experience is important because the key requirement for a successful evergreen fund lies in the manager's ability to effectively balance ongoing investments, liquidity management and portfolio diversification. Regarding the 5 years of experience requirement, we would like MAS to consider the team's average years of experience (rather than that of each individual) so that scenarios where a very experienced manager is supported by a new team are acceptable. Finally, in cases where there are manpower attritions/transfers that lead to the manager having less than 3 full-time representatives who are Singapore residents during the tenure of a fund, it would be helpful if there is clarity on how much time the manager is given to replace the lost headcount, and what is the consequence in missing that timeline.
Due diligence	We suggest that the due diligence requirements should be principle-based and not prescriptive to give flexibility to many of the large or global investment managers which already implement their own internal due diligence frameworks. In addition, the principle-based requirement for fund managers to undertake due care when acquiring investments should be identical regardless of whether the fund manager invests in public or private assets.
Board independence	We suggest that independence of a proportion of the Board at the Direct Fund level should be recommended as best practice, rather than as a mandatory requirement. This aligns with the practices in the EU where it is generally a best practice for independent directors to be appointed to the Board of funds, but not mandatory. Below are some issues and challenges with mandating Board independence.

	<u>For LFMC with both public and private businesses</u> Having a proportion of the LFMC's board consists of independent directors due to their management of PMI Funds is not practical. Retail LFMCs typically carry a whole suite of products and services and the proportion of business attributable to LIFs may not be significant. It may not be reasonable for the independent director(s) to be able to or expected to oversee other aspects of the LFMC's business that are not related to PMI Funds, creating additional burden for the LFMC. <u>For VCCs</u> It is currently a requirement for Retail VCCs to have one independent director on the VCC Board of Directors. We are of the view that the existing requirement for Retail VCCs suffices for engaging in LIF business. In terms of the criteria for the independent director, we note that there is a limited pool of existing VCC directors with private markets expertise. If it is required for the independent director to have private market expertise, managers may face significant costs to onboard such independent directors if there is a strong demand.
Skin-in-the-game	We are of the view that the skin-in-the-game requirements should not be implemented. The management/performance fee already establishes a meaningful alignment of interests between the manager and clients/investors. On the other hand, mandating a minimum investment stake may be difficult for firms, especially for smaller firms and under challenging economic conditions. This requirement could create an extra burden for managers and potentially lower the business appetite for launching new funds under the LIF framework, thus reducing the attractiveness of the framework for managers. Moreover, any skin-in-the-game requirement could have potentially onerous implications from a risk-based capital perspective, especially for those managers which are part of groups subject to risk-adjusted capital requirements, thus creating an unlevel playing field. Specifically, bank-affiliated asset managers will be at a disadvantage due to the requirement as such an investment would be an on-balance sheet activity that requires additional capital charge to the bank. In addition, managers that are affiliates of US-regulated banks are constrained from investing in their Direct Funds by US regulations such as the Volcker Rule (i.e., Section 13 of the Bank Holding Company Act, 1956) which restrict them from investing in or sponsoring certain funds (e.g., private equity funds).

	We note that there is no similar skin-in-the-game requirement under comparable schemes such as ELTIF and LTAF. These frameworks have been successfully implemented without mandating managers to hold a minimum investment stake as such a requirement is not essential for the effective management of these funds. If MAS is still inclined to set a skin-in-the-game requirement, some of our members suggest that MAS consider the following: - Instead of a continuous obligation (which is onerous as pointed out by MAS), MAS could consider that the requirement applies only at the initial launch of the fund (i.e., seed money) for a limited period of time until the fund brings in investors. - The investment could come from affiliated companies of the manager rather than expecting it to come from only the manager. - Our members prefer voluntary investment guidelines to serve as a market benchmark instead of setting a minimum investment amount or percentage. A percentage-based mandate may impose undue capital strain on fund managers.
Smart money	We are of the view that the requirement to have a minimum percentage held by Institutional or Accredited Investors is not feasible or recommended for the following reasons: 1) Institutional and Accredited investors may have different interest than retail investors so their requirements for investment are likely to be different. In addition, Institutional and Accredited investors have access to a wider range of investment options. Therefore, a retail Direct Fund may not be suitable or appealing to Institutional or Accredited investors, making it difficult for the fund to attract such investors to fulfil the smart money requirement. 2) The manager cannot control the investments from different types of investors so keeping investment from Institutional or Accredited Investors above a minimum percentage means that the manager may need to restrict or delay subscription by retail investors, which limits the fund's ability to grow in scale and constrains the portfolio construction/selection. Further, it may be more problematic when the minimum percentage is breached after the fund is launched. For example, if an Institutional or Accredited Investor redeems its holdings which leads to a breach of the minimum percentage, would the manager need to close the fund or force existing retail investors to exit? This would be detrimental to retail investors. In short, the smart money requirement would complicate fair dealing as retail investors' actions might be restricted

	or delayed due to Institutional and Accredited Investors' actions. Managing this balance between different types of investors introduces operational complexity, making it difficult for the fund manager and its distributor to ensure equitable treatment of all investors. Such additional complexity could reduce the attractiveness of the LIF framework for fund managers, ultimately limiting the investment opportunities available to retail investors. 3) It is usual practice for fund managers to sell their products through Distributors via an omnibus structure. Fund managers will have little or no visibility into the underlying customers' investor profiles and will be heavily reliant on distributors to provide them with accurate breakdowns. Accordingly, we suggest that the requirement for smart money investment should be removed, allowing for greater flexibility in fund structuring. We note that comparable schemes (e.g., ELTIF and LTAF) do not impose such smart money requirements, indicating that they are not essential for the effective management and oversight of these funds.
(b) Product requirements	
Product differentiation	We agree with the proposal as having these terms such as "LIF" or "Long-term Investment Fund" provides a clear differentiation between schemes authorized under the LIF framework and other schemes. It promotes clarity and reduces mis-selling risk.
Investment strategy and permissible investments	As stated in our answer to Question 1, we believe that the permissible investments scope of LIFs should be as broad as possible to ensure maximum deal flow and that restricting the investment universe hampers retail investors' ability to access the 'true' private markets arena and limits the ability for a manager to shift the fund allocation in response to changing market conditions. Limiting the investment universe to only certain "lower risk" assets may impact the returns of the LIFs, which is a key attraction to retail investors from accessing the private market. We suggest restrictions on investment criteria be placed on a fund's features (i.e., liquidity, spread of investments, etc.) to safeguard retail investors' interest instead of limiting the investment scope. In addition, managers can be required to make clear disclosures about funds' investment objectives and their investment universe. If MAS considers it necessary to prescribe a permissible investment scope, we suggest that MAS consider aligning it with the scope of ELTIFs which provides a wider opportunity set for PMI.

	Below are some specific comments on MAS's proposed requirements. <u>"Primarily invested" in PMI</u> As stated in our response to Question 1, we suggest removing the concept of "primarily invested in private market investments" to provide flexibility that would allow access to a wider range of products with different allocations between public and private assets. However, if the concept of "primarily invested" in PMI assets is retained, we are of the view that the threshold should be kept flexible. <u>Private equity</u> MAS proposes to require private equity companies that are permissible investment of Direct Funds to "meet criteria such as having a minimum valuation, gross revenue, and operating track record". We believe a less prescriptive and more flexible requirement can give investors access to companies that have the potential to offer higher return, which initially or for an extended period of time, may not satisfy the aforementioned criteria. <u>Private credit</u> Similarly, we suggest that private credit investments should not only be limited to senior private credit. For example, the ELTIF framework allows funds to invest in junior syndicated loans (alongside senior credit). Managers should be given the flexibility to determine what kind of assets could generate the best returns for investors. <u>Infrastructure assets</u> We suggest that infrastructure assets should include green-field assets in addition to just income-generating brown-field assets as green-field assets offer higher return potentials which fund managers can use to achieve their desired risk-return profiles that are consistent with the long-term nature of the LIFs. <u>Securities lending and repurchase</u> We note that MAS intends to prohibit Direct Funds and LIFFs from engaging in any securities lending or securities repurchase transactions. Whilst we understand this is in the context of the expected long-hold nature of private assets, we suggest that there could be clear exceptions or boundaries for limited and controlled securities lending (e.g., no more than 10% of the fund's assets are involved) as the gains from such activity could be distributed to the

	investors for their benefit. This would align with the ELTIF framework and provide managers with additional tools to enhance portfolio returns and manage risk and liquidity. <u>Vacant Land</u> We note that MAS intends to prohibit Direct Funds and LIFFs from investing in vacant land directly or indirectly. However, such a prohibition can be particularly difficult to track and comply with given the complexity and diversity of PMIs, especially for LIFFs, resulting in significant administrative burdens and compliance risks. It may also limit the fund's investment opportunities, preventing the fund from capitalizing on high-performing PMI funds. There are instances where the underlying PMI fund may purchase vacant land with the intention of developing it into infrastructure or real estate. These development projects can offer substantial returns and diversification benefits and excluding them from the permissible investment scope may hinder the fund's ability to achieve optimal performance. If MAS proceed with the prohibition, we suggest setting a cap or limit on such allocations to avoid overly constraining the investable universe. This approach would provide fund managers with the flexibility to invest in high-conviction development projects while ensuring that the overall risk profile of the fund remains balanced.
Concentration limits	We are of the view that specific concentration limits should not be imposed as the manager would want to be in a position to influence the underlying investment, which is particularly the case for certain private equity (e.g. venture capital) and infrastructure investment strategies. A limit on the fund's stake in an underlying PMI asset would also constrain the type of fund strategies that can be offered in the Singapore market. In addition, imposing a single limit among the wide scope of private market asset classes would be challenging as the typical stake held for each investment can vary significantly by asset classes and even by investment strategy within the same asset class (e.g., a venture capital strategy vs. a large cap private equity buyout strategy which are both within private equity)._Further challenges would exist in monitoring follow-on investments which would affect the ownership/stake in the PMI asset over time. In short, we believe that while a concentration limit may be more commonplace for public market investments, it would be challenging to implement for private market investments. Further, we note that there is no concentration limit for ELTIFs' direct investment in PMI assets. Only ELTIFs' investment in a fund

	is subject to a maximum limit of 30% of the units/shares of the fund.
Diversification requirements	We recommend that MAS align the threshold for the Direct Fund's aggregate exposure to a single underlying PMI asset with the ELTIF framework. Specifically, we suggest that the threshold be set at a maximum of 20% of the fund's NAV for one single physical asset and instruments issued by or loans made to a single eligible holding company. Setting the threshold at 20% ensures that the Direct Fund maintains a prudent spread of risk, preventing excessive concentration in any single asset or issuer. This helps to mitigate the potential impact of adverse events affecting a single investment on the overall fund performance. However, in the case of holding of an asset exceeds the threshold, we suggest that funds should not be forced to sell the asset, especially if it was a passive breach due to the change in valuation of certain assets, given the illiquid nature of PMI asset. We hope that MAS could consider applying the same "comply or disclose" approach as for LIFFs under Paragraph 5.28. With the above being said, we suggest that the threshold should only be considered at the time when the fund acquires a reasonable number of holdings to construct a portfolio. For newly launched funds, it would be hard to apply the threshold unless the funds have a warehouse of deals (i.e., acquiring interest in investments before forming the fund) that are available for deployment, which is not common.
Timing for compliance with investment strategy and diversification requirements	We suggest periods in which the relevant requirements would not apply under certain situations such as during the ramp up period (for building up its portfolio after a fund's launch), extreme market conditions and in the event of liquidation. We note that the timing for deployment of all invested capital in line with investment strategy typically differs between different asset classes. For example, 1 to 1.5 years for private debt and 3 to 5 years for private equity. Additionally, we believe that diversification of vintage is also important as fund-wide forced deployment is not in the best interest of investors. Accordingly, we suggest that Direct Funds should be allowed a ramp-up period of up to 5 years from the launch of the fund to build up their portfolio and managers to be given the flexibility to determine a shorter ramp-up period, as necessary.
Valuation requirements	Our members are part of large global asset management groups where fund valuation functions sit within group functions or overseas affiliates. Therefore, we suggest that MAS allow for the performance of independent valuations by "an in-house fund valuation function of the Direct Fund manager" to be expanded to group functions or affiliates of the Direct Fund manager.

	Regarding valuation frequency, we suggest that the independent valuation for Direct Funds be done at least once a year. The rationale behind this frequency is that the valuation of underlying assets, such as private equity, may not be able to be done regularly, due to the illiquid and complex nature of the underlying assets and the non-transparent nature of their information. Making frequent valuations of such underlying assets would be challenging and potentially inaccurate. In addition, it would be helpful if the MAS can provide clarity on what is meant by "any applicable code of practice" for the independent valuation. We suggest that the requirement for independent valuation should be principle-based and left largely to the manager's discretion given the variety of techniques used by the industry.
Interested party transactions	We would request that MAS clarify the scope of "interested parties" under the interested party transaction requirements.
Leverage	We think that it is the best if there is no leverage limit to give flexibility to the manager who will decide on the appropriate leverage depending on the strategy. This provides fund managers with greater flexibility to manage the fund's assets effectively, optimize investment strategies and manage liquidity without compromising the fund's primary focus on PMI. This will also allow the use of leverage for providing liquidity and help fund managers manage redemption requests and other liquidity needs more effectively. This is particularly important for retail investors who may require more frequent access to their investments.
Redemption requirements	In general, we are of the view that the LIF should aim to provide transparency to investors around redemptions, the timing of the disposal of underlying assets and the distribution of proceeds at the end of an LIF's life. Regarding the redemption frequency, we agree that it should be offered at least once a year. Some categories of PMIs may be able to accommodate redemptions on a more frequent basis than annually. Monthly and quarterly redemption can be considered for retail investor suitable products (e.g., US interval funds), subject to feasibility based on the fund's underlying investments liquidity (e.g., split between private and public assets). The 90-day redemption payment requirement (i.e., redemption request should be paid to investors within 90 days from when the request is accepted) may be overly stringent and could inadvertently hinder fund managers' ability to scale their operations. Scaling is critical in PMI as it facilitates greater liquidity,

	which is essential for maintaining the stability and functionality of PMI funds. By allowing more flexible standards that align with the international best practices (e.g., 120-day redemption payment), fund managers would be better positioned to grow their funds, enhance liquidity, and provide retail investors with greater access to stable and well-functioning PMI funds. It will also make it easier for fund managers' calculation of NAV, NAV release and payment processing during the redemption process.
(c) Disclosure requirements	
Product warning	We agree that product warnings should appear on constituent documents/marketing materials, product advertisements, and fund offering documents (e.g., prospectus and Product Highlights Sheet (PHS)) and should be emphasized by financial intermediaries and advisers. We also suggest that the risk warning clearly defines and emphasizes the various considerations involved in the longer process of buying and selling PMI assets, such as valuation of the assets and sourcing for buyers and sellers. Additionally, we suggest that it be explicitly stated that such asset classes should not constitute the majority of an investor's portfolio, to ensure a balanced and diversified investment strategy. Furthermore, we suggest that the first bullet also highlights that *"there is no assurance of any increase in value of your investment, and your investment may even result in a significant or total loss after a long holding period."*
Product Highlights Sheet ("PHS")	*Note: We will not put in a response to this sub-question.*
Prospectus and periodic reports requirements	*Note: We will not put in a response to this sub-question.*
Product classification	We believe that Direct Funds, whether they are listed or unlisted, are similarly of a complex nature under the LIF framework. Therefore, we do not understand why they should be classified differently. Please refer to our detailed response to Question 23 in relation to the classification of listed and unlisted LIF funds.

Q3. MAS seeks views on whether (a) the requirements on disclosure of interests and short sell order disclosure and short position reporting requirements, as well as (b) the Take-over Code and provisions on compulsory acquisition should apply to a listed closed-end Direct Fund.

We agree with the proposed disclosure requirements.

Q4. MAS seeks views on whether other regulatory safeguards should be considered for Direct Funds, and whether any of the proposed safeguards should be modified for listed closed-end Direct Funds or unlisted Direct Funds.

We are of the view that managers should have the flexibility on whether additional safeguards for their products and clients are necessary.

Questions on LIFF Requirements

Q5. MAS seeks views on the proposed manager requirements on manager expertise and experience for LIFFs.

We would like to re-emphasize our suggestion in our response to Question 1 for consistent rules for Direct Funds and LIFFs to make the LIF framework simpler for investors and market participants alike. Please refer to our comments in response to Question 2 on manager expertise.

Q6. MAS seeks views on the proposed due diligence requirements for LIFF managers.

Due diligence for LIFF managers should be principle-based and not prescriptive and should be left to the manager's discretion. For example, Paragraph 5.5(a)(e) states that the LFMC should make enquiries or obtain information needed to properly consider whether the valuation produced by the underlying PMI fund is accurate. We would expect that this means ensuring the adoption of sound valuation processes but should not necessarily extend to a verification of the accuracy of valuation numbers.

While there is usually extensive due diligence on the selection of underlying PMI funds, due to the nature of private markets investments, ongoing monitoring of underlying managers/funds takes place less frequently and could be in various (sometimes lighter) forms and a distinction should be drawn.

Q7. MAS seeks views on whether to allow for the LIFF manager to co-invest with the LIFF and if the proposed safeguard is adequate.

We agree that LIFF managers be allowed to co-invest with the LIFF and would suggest that MAS provide flexibility to allow related entities of the LIFF manager to also co-invest subject to any regulatory considerations.

Safeguards should include the maintenance of a conflicts of interest register, adoption of internal policies to address fairness in allocation and application of best execution obligations. We note that general good practices are currently outlined in MAS' Guidelines on Licensing and Conduct of Business for Fund Management Companies.

Separately, we would also like MAS to clarify if the LFMC or its affiliates can co-invest with Direct Funds.

Q8. MAS seeks views on whether to introduce skin-in-the-game requirements on the manager, and if so, what minimum percentage should the LIFF manager hold in the LIFF.

Same as our views on the requirement for Direct Funds, we do not agree with the proposed skin-in-the-game requirements for LIFFs. We think there should be alignment between the Direct Fund and LIFF structures to create a level playing field and consistent investment outcome for investors. Please refer to our detailed response to Question 2 in relation to "skin-in-the-game".

Q9. MAS seeks views on whether to introduce smart money requirements where a minimum percentage of the LIFF must be held by institutional or accredited investors, and if so, what the minimum percentage should be.

Same as our views on the requirement for Direct Funds, we do not agree with the proposal to make "smart money" requirements mandatory for LIFFs. Please refer to our detailed response to Question 2 in relation to "smart money".

Q10. MAS seeks views on the proposal that a scheme authorised under the LIF framework must contain the term "LIF" or "Long-term Investment Fund" in its name, and only a scheme authorised under the LIF framework may be referred to using the terms "LIF" or "Long-term Investment Fund". In addition, in the case of LIFFs, the term "LIFF" or "Long-term Investment Fund-of-Funds" may be used in place of "LIF" or "Long-term Investment Fund" in fulfilment of the proposed requirement.

We agree with the proposals as it promotes clarity and reduces mis-selling risk. It is also helpful to allow the use of abbreviations given system constraints. For ease of navigation by end investors, it is recommended that the naming requirement be adopted uniformly across managers.

Q11. MAS seeks views on the proposal that a LIFF must be primarily invested in unlisted private market investment funds, the proposed conditions that such underlying PMI funds should meet, and the proposed concentration limit on the LIFF's holding of its underlying PMI funds.

<u>Requirement to be primarily invested in unlisted PMI funds</u>: Please refer to our response to Questions 1 and 2 on being primarily invested in PMI.

<u>Conditions that underlying PMI funds should meet</u>: Our members do not believe the condition that the underlying PMI assets are directly managed by a manager separate from the LIFF manager is necessary and prefer flexibility which would allow LIFF managers to leverage in-house capabilities through multi-asset type FoF arrangements, which can be more cost-effective than limiting investments to those managed by a non-related manager. Such restrictions may limit the potential for the fund to invest in other PMI funds managed by the same LIFF manager, resulting in investors missing opportunities for better investment returns if the LIFF manager and its affiliates have a proven track record and expertise in managing PMI funds, and such underlying PMI funds have strong performance.

We note that in traditional FoFs, managers are allowed to invest in underlying funds managed by the same entity and its affiliates, provided that appropriate safeguards and disclosures are in place to manage potential conflicts of interest. We believe that similar safeguards (e.g., mitigating double charging) can be implemented for LIFFs to ensure that investment decisions are made in the best interest of investors.

30% Concentration limit: Our members think that there should be more flexibility in the maximum stake that the LIFF can hold in underlying PMI funds, particularly for feeder funds that feed into other funds.

Q12. MAS seeks views on the proposal that a LIFF may only invest in an underlying fund-of-funds if the latter invests directly in other single funds, with the exclusion of feeder schemes that wholly invest into another scheme and does not charge additional fees.

We generally agree with this proposal. We note that generally the multiple layers of fees in FoF structures would already have been underwritten into the expected return on the entire investment and is therefore accounted for.

With regard to the exclusion of feeder schemes that does not charge additional fees, we would like to clarify if the "additional fees" refers to management fees and performance fees as there are also other ongoing fees and charges to maintain throughout the life of the product.

Q13. MAS seeks views on the proposal that a LIFF may invest up to one-third of its NAV in liquid investments and co-investments, the proposed concentration limits that apply to these investments, and the proposed prohibited investments.

We are unsure if MAS intend for a limit of one-third of NAV for both liquid investments and co-investments since Paragraph 5.16 implies 1/3 NAV is the combined limit for liquid and co-invest while Paragraph 5.18 refers to liquid investments limited to 1/3. We suggest that the limits to be separate for liquid investments and co-investments (which are generally illiquid) given their different nature.

We also suggest that MAS consider removing or waiving the one-third maximum limit on non-PMI fund assets, for example, listed equities, if the LIFF can demonstrate an overall investment strategy focused on PMIs. This adjustment would allow LIFF regulations to encompass strategies that include a blend of liquid investments and PMI funds, which may exceed the limits set by the CIS code. These blended strategies are theoretically less risky than funds investing at least two-thirds in PMI assets and would be similarly suitable for retail investors. Please also refer to our detailed response to Question 1 on "primarily invested" in PMI.

Concentration limits: We think that a 30% concentration limit for directly-held co-investments in real estate and infrastructure would be overly restrictive if we take into account portfolio construction and NAV movements in extreme market volatility. We also suggest providing exemption for the period needed for AUM to ramp up and for underlying investments to be drawn down/deployed, which is relatively longer than listed securities in public markets.

Prohibitions: Please refer to our response to Question 2 in relation to the proposed prohibition on investing in vacant land, which would prevent a LIFF from potentially investing in a high-performing PMI fund which holds vacant land for development.

Q14. MAS seeks views on the proposed diversification requirements for the LIFF's underlying private market investments and liquid investments.

Diversification requirements should differ for open-ended (evergreen) LIFFs and close-ended LIFFs with a fixed life and no ongoing investor subscription. If a LIFF is closed-ended, it is not appropriate to frame investment restrictions based on NAV, especially after the investment period, as it would be challenging for the LIFF to rebalance its exposure if there is an inadvertent breach of such guidelines against NAV due to illiquidity in underlying PMI funds. In addition, when underlying PMI funds dispose assets and start returning capital or mature/liquidate, there could also be inadvertent breaches as NAV declines, which is not through the fault of the LIFF manager. A more appropriate basis to apply restrictions for portfolio construction and diversification purposes would generally be the fund size (or capital raised / commitments). Once the LIFF has fully constructed its portfolio, it is generally quite difficult to rebalance, as exiting a holding (via redemption or secondary transaction) could potentially come at a high cost detrimental to investors and fund returns.

In Paragraph 5.21, we would assume that MAS' intention is to look through to the ultimate underlying PMI asset or entity. Our members suggest that MAS consider *"a LIFF's aggregate exposure to a single underlying entity"* to be subject to a 20% limit of the LIFF's NAV, which is consistent with the limits established in the ELTIF framework. A limit of 5% may be too low. For example, in the case of a conglomerate or a commonly held instrument such as US Treasuries held by PMI funds which could aggregate to above 5% without necessarily adding significant risk to the portfolio.

In addition, we suggest that if the diversification limits are exceeded, the manager can make disclosures and file reports explaining the situation or rationale given the difficulty in managing holdings of illiquid underlying assets via a FoF structure. This is in line with the principle of Paragraph 5.22.

Q15. MAS seeks views on the proposed situations and time periods when the investment strategy and diversification requirements will not apply.

Please refer to our response to Question 2 on timing for compliance with investment strategy and diversification requirements for Direct Funds and Question 14 on our views on the appropriateness of investment restrictions based on NAV.

In Paragraph 5.27(a), we would note that it is important that the LIFF's manager has the discretion to determine the ramp-up period applicable to the LIFF. In Paragraph 5.27(b), we would seek MAS's clarification on how the 12 month timing for compliance would operate in the case of an open-ended evergreen fund that is continuously raising capital or in case of a capital reduction (e.g., annual redemption) which triggers a rolling timeline on compliance with investment strategy/diversification requirements.

Q16. MAS seeks views on the proposed valuation requirements. MAS further seeks views on whether LIFFs that invests in other types of underlying PMI funds (e.g. real estate or infrastructure funds) should also provide a quarterly update on NAV.

<u>Valuer</u>: Our members are part of large global asset management groups where fund valuation teams can sit within group functions or affiliates. We suggest that MAS allow for the performance of independent valuations in Paragraph 5.29(b) by "an in-house fund valuation function of the LIFF manager" to be expanded to group functions or affiliates of the LIFF manager. Similarly, under Paragraph 5.32, we would expect that an indicative valuation can be provided by the LIFF manager or such -related parties.

<u>Independent desktop valuation when issuing or redeeming units where valuation was more than six months ago</u>: Our members believe this consideration is not necessary, especially where valuations for the LIFF are performed on a more than half-yearly basis. Issuance and redemption of fund units typically only take place based on an up-to-date valuation. The introduction of out-of-cycle valuations creates complexity for cost-intensive processes and may not provide significant additional benefits to investors. Any increase in operations costs for managers could ultimately be passed on to investors, reducing the overall attractiveness of the LIFF framework. Maintaining a balance between regular updates and cost efficiency is crucial for the success of the framework.

Q17. MAS seeks views on the proposed requirements for a LIFF that invests into related funds and for transactions between the LIFF and its interested parties.

Please refer to our response to Question 2 in relation to "Interested party transactions".

Q18. MAS seeks views on the proposed leverage limits for a LIFF.

We are of the view that the proposed leverage limits of 15% of the fund's NAV may not be viable. Similar to our suggestion for Direct Funds, we suggest that there be no leverage limit for LIFFs as LIFFs do not have direct control over the leverage employed by their underlying PMI funds, and it would be overly complex and burdensome for LIFFs to monitor the leverage limit of their underlying PMI funds and assets on a look-through basis. At the LIFF level, FoFs typically do not take on further leverage apart from that needed for bridging redemption requirements or other liquidity needs.

Q19. MAS seeks views on the proposed redemption requirements for a LIFF.

<u>At least 10% of the fund's total asset to be offered annual redemption</u>

We think that the percentage of fund's total assets that could be offered for redemption depends on the size of the fund. For a smaller fund, to offer at least 10% annually for redemption could totally disadvantage remaining investors in the fund, as the LIFF manager would normally liquidate more liquid investments to get liquidity for redemption, leaving remaining investors with a potentially weaker portfolio.

In addition, in the case of partnership structures, the funds' General Partners have to be able to reserve the right to avoid forced liquidity/wind down, which also makes it difficult to implement the 10% annual redemption.

Therefore, we suggest that LIFF managers should be given the flexibility to decide what is the appropriate redemption percentage for their LIFF.

90-day redemption payment timeline

We think 90 days for the payment of investors' redemption requests is too short, especially during extreme market circumstances, such as severe market disruptions or extraordinary liquidity events. As liquidity is uncertain for underlying PMI funds, it is normal for the LIFF manager to have the discretion on how long it would take to fulfill redemption (sometimes up to 2 years, and with ability to gate the entire fund, such as during market turmoil or black swan events). We suggest that MAS provide flexibility to the manager to determine the redemption payment timeline to ensure that managers can manage liquidity effectively without compromising the stability of the fund.

Additional liquidity tools

While MAS mentioned only gating requirements for both Direct Funds and LIFFs, we would like to highlight that there are additional liquidity tools beyond just gating. These tools include suspension or deferral of redemptions, which can provide fund managers with greater flexibility to manage liquidity during periods of market stress or significant redemption requests. We suggest that MAS allow the manager to have the discretion to choose which liquidity tools to use, rather than mandating gating. This approach would enable fund managers to tailor their liquidity management strategies to the specific needs and circumstances of the fund.

Soft and hard lockup periods

We also suggest that the MAS permit the use of soft lockup periods (i.e., with redemption fees) or hard lockup periods. Some asset classes may require a high level of assets under management (AUM) for effective investment, and lockup periods can help ensure that the fund maintains sufficient AUM to execute its investment strategy. Soft lockup periods with redemption fees can provide an incentive for investors to remain invested for a longer period, while hard lockup periods can provide certainty for fund managers in managing the fund's assets.

Notice to investors

We do not agree with the requirement in Paragraph 5.43(c) on providing investors with adequate notice on "the assets or borrowings that will be used to satisfy the amount of redemption requests. In the case of non-cash assets, the amount of money that is expected to be available from the sale of such assets should be stated". Such information may be material non-public information which shall not be provided to a broad group of retail investors. It could prejudice less sophisticated investors, and it is likely to be onerous and expensive for managers while not providing additional protection for investors. We note that comparable schemes (e.g., ELTIF and LTAF) do not have such a requirement.

Q20. MAS seeks views on the proposed risk warning for LIFFs, and the channels through which such risk warning should appear.

We agree with the channels and materials that the product risk warning should appear or be included.

Regarding the wording of the risk warning, similar to that for Direct Funds, we suggest that the risk warning be clearly defined to emphasize the various considerations involved in the longer process of buying and selling private market instruments, such as valuation of assets, and sourcing for buyers and sellers. Additionally, we suggest that it be explicitly stated that such asset classes should not constitute the majority of an investor's portfolio, to ensure a balanced and diversified investment strategy.

In addition, we suggest that the first bullet also highlights that *"there is no assurance of any increase in value of your investment, and your investment may even result in a significant or total loss after a long holding period."*

Q21. MAS seeks views on what should be highlighted in the PHS.

We received no comment on this question from our members.

Q22. MAS seeks views on proposed disclosure requirements for prospectus disclosures and periodic reports.

It would be difficult to state the track record of the manager(s) of the underlying PMI funds in the prospectus as this would mean that the manager(s) would need to be selected in advance, leaving very little flexibility to manage the LIFF (or requiring frequent updates to the prospectus). Similarly, it would be difficult for the prospectus to state the LIFF underlying PMI funds' investment policy on the leverage of funds they may invest in. If such information is going to be required, we suggest it be disclosed in periodic reports and not the prospectus.

Q23. MAS seeks views on the classification of LIFF as complex product and whether a listed LIFF should be carved out as a non-complex product.

We agree in principle to the classification of Direct Fund and LIFF as complex products from the retail investors' perspective given the risk factors, the long-term nature of such investments and the fact that they have traditionally been only accessible to non-retail investors.

As for listed Direct Funds and LIFFs, we are of the view that irrespective of whether the product is listed or not, the classification of such products should be consistent. While listing generally provides transparency and accessibility, it does not necessarily alter the classification of a LIF fund as complex. The complexity of a fund is determined by several factors, including its structure, underlying assets, and associated risks, rather than solely by its listing status. As PMI funds typically invest in illiquid assets, which can be complex due to valuation challenges, they are of long-term nature and have higher risk profiles compared to traditional public market securities investments. The risks associated with PMI, such as liquidity, market and operational risks, contribute to the fund's complexity. Additionally, the fund's structure, including the use of leverage, derivatives or other financial instruments, can further add to its complexity. Even if listed, a fund with intricate structures may still be complex.

Q24. MAS seeks views on whether (a) the requirements on disclosure of interests and short sell order disclosure and short position reporting requirements, as well as (b) the Take-over Code and provisions on compulsory acquisition should apply to a listed closed-end LIFF.

We agree in principle to the proposals under this question.

Q25. MAS seeks views on whether other regulatory safeguards should be considered for LIFFs, and whether any of the proposed safeguards should be modified for listed closed-end LIFFs or unlisted LIFFs.

We are of the view that other regulatory safeguards that are typically applicable to retail funds should be considered. However, the extent and applicability thereof should be commensurate with the nature of LIFFs.