

# Addressing Key Pain Points Keeping COOs Up At Night –

Practical Steps & Considerations for Managing  
Challenges

---

12 September 2024

Kelvin Sng, ZEDRA  
Head of Fund Services

 [kelvin.sng@zedra.com](mailto:kelvin.sng@zedra.com)

 +65 9724 6720

---

## Learning Objectives (30 minutes)



- | COOs face daily challenges – but what circumstances do these challenges usually intensify? Transitioning from segregate mandate to....
- | Examine perspectives of your various stakeholders – investors and clients demands; management scrutiny; policy compliance & internal audit; regulatory risk factors and enforcement triggers; shareholders warning signs
- | Learn how to address these challenges from your stakeholders - developing control process, best practices

---

## Concerns of COOs....



*“We are always behind time on our regulatory reporting and filing... both for our fund management company, and funds”*



*“How do we monitor our service providers?”*

*How do we ensure we don't breach our duties?*

*Our auditor highlighted some lack in control in our payment*

*We want to create and manage a portfolio for a significant client, what are the considerations?*

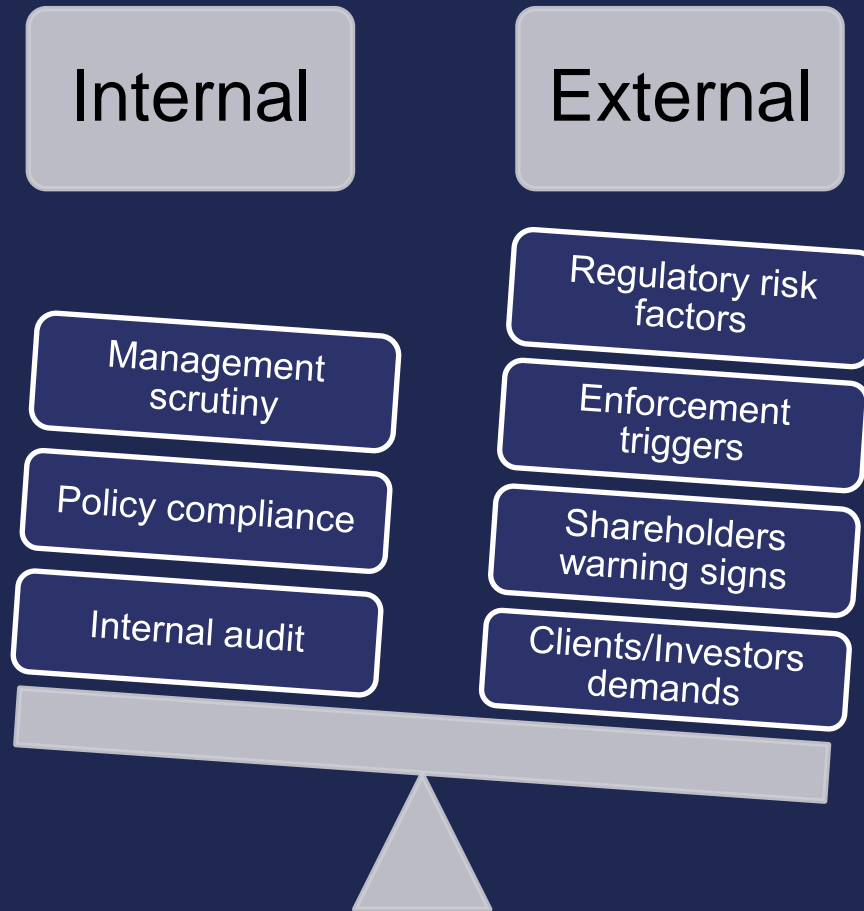
*What are key areas of concern/focus for regulators?*

*“We don't know what we don't know?”*

# What may intensify your challenges as COOs....



# Various stakeholders....a balancing act?



# Addressing the increased intensity and scrutiny



## Increased scrutiny by stakeholders:

**Regulator** – feedback to enhance the control structure and processes in place

**Regulator** – fund mandate must be discretionary, not directed

**Regulator** – arms-length transaction, front running

**Regulator** – increased AML/KYC risks

**Regulator** – importance of independent reporting (e.g. fund valuation , investor statement)

**Investor & clients** (especially angel) – set up of strategy/VCC sub-fund directed by large family (?)

**Internal compliance** – adopt best practices; review current processes; strengthen monitoring

**Internal & external audit** – familiarity with new product, processes, fund structure

**Management scrutiny** – executive responsibility for conduct of business, concerns on the affairs and operations of the company when new structures are introduced

**Shareholders concerns & warning signs** – ensuring business model continues to be in line with what the company set to achieve?

# Arms-length transaction, front running

## Fraudulent, deceptive conduct conviction

Enforcement Actions Media Releases | Published Date: 02 July 2024

### Court Convicts Mr Sun Weiyeh, a Former Fund Manager, for Acts Which Were Likely to Defraud Investors

Singapore, 2 July 2024... Mr Sun Weiyeh, a former fund manager and director of One Asia Investment Partners (OAIP) <sup>[1]</sup>, was convicted on 11 April 2024 and sentenced today to 6 months' imprisonment for engaging in acts which were likely to defraud investors. This is the first conviction under the Securities and Futures Act (SFA) for fraudulent or deceptive conduct relating to over-the-counter (OTC) bond trading.

2 Mr Sun was charged on 22 October 2020 <sup>[2]</sup> for two counts under Section 201(b) of the SFA for engaging in acts which were likely to defraud investors of a fund managed by OAIP (Fund A). He had sold two OTC bonds <sup>[3]</sup> at lower prices from Fund A to another OAIP fund (Fund B) of which he was the majority investor, while knowing that there were earlier available bids at higher prices. Mr Sun subsequently sold the two bonds to the market at a profit. Mr Sun's act caused a US\$342,500 loss to investors in Fund A.

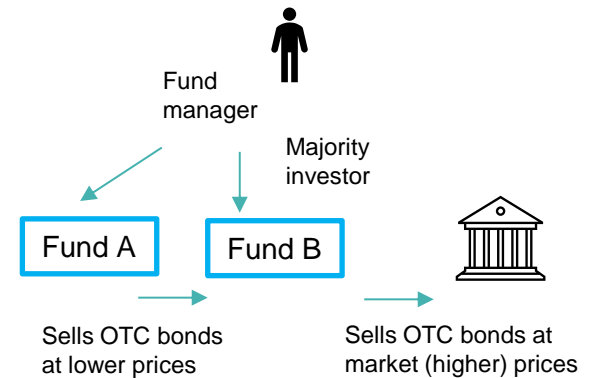
3 Mr Sun carried out his misconduct by first soliciting bids from various market participants via the Bloomberg chat messaging system. He then used lower bid prices as the reference prices to sell the two OTC bonds from Fund A to Fund B via pass-through trades through an intermediary, instead of selling the bonds to a market participant who had offered higher prices or using those higher prices as the reference prices for the pass-through trades.

4 Following a 26-day trial, the District Court found Mr Sun guilty of both charges. This case was jointly investigated by the Monetary Authority of Singapore (MAS) and the Commercial Affairs Department of the Singapore Police Force.

5 Ms Loo Siew Yee, Assistant Managing Director (Policy, Payments and Financial Crime), MAS, said, "As a director and portfolio manager of the fund management company, Mr Sun owed a duty to its investors to act in their interest at all times. MAS will take to task persons who abuse their position in the financial sector for personal gain, to the detriment of investors."

\*\*\*

[1] OAIP was a fund management company licensed by MAS under the SFA. MAS revoked OAIP's license in April 2017 after it was issued with a winding up order by the High Court of Singapore. <sup>[1]</sup>



<https://www.mas.gov.sg/regulation/enforcement/enforcement-actions/2024/court-convicts-sun-weiyeh-for-acts-which-were-likely-to-defraud-investors>

# Increased AML/KYC risks



## Highlights from MAS MONEY LAUNDERING RISK ASSESSMENT REPORT SINGAPORE 2024

### AML/CFT controls within the sector

7.7.6 EAMs carrying out the regulated activity of fund management have to be either licensed or registered with MAS under the Securities and Futures Act (SFA). AML/CFT obligations for EAMs are set out in MAS Notice SFA04-N02 on the Prevention of Money Laundering and Countering the Financing of Terrorism. These include requirements to conduct CDD, maintain records, conduct transaction monitoring and file STRs. They would also need to conduct ECDD when any customer or BO of the customer is higher risk, such as a PEP, and to establish their SoW and SoF via appropriate and reasonable means. Further guidelines have also been issued to elaborate on some of the requirements under the MAS Notice.

7.7.9 As part of MAS' efforts to raise the industry's risk awareness and standards, MAS also published several guidance papers that are relevant to the EAMs – including the following documents (i) "Guidance to Capital Markets Intermediaries on Enhancing AML/CFT Frameworks and Controls" in January 2019; (ii) "Effective AML/CFT Controls in Private Banking" in September 2020; (iii) "Strengthening AML/CFT Practices for External Asset Managers" in August 2022; and (iv) "Circular on Money Laundering and Terrorism Financing Risks in the Wealth Management Sector" in March 2023.

7.7.10 In addition, MAS has regular engagements with the Association of Independent Asset Managers (AIAM), the professional body for EAMs in Singapore, and has highlighted pertinent AML/CFT issues that the EAMs can improve on, such as tax risk surveillance and the need to focus on the adequate implementation of AML/CFT controls. AIAM has committed to work with MAS to uplift the overall AML/CFT standards of EAMs in Singapore. MAS has also supported AIAM in issuing a set of industry-led AML/CFT frequently asked questions (FAQs) in Q4 2020, which provided greater clarity on key AML/CFT concepts specific to the EAM sector.



# Importance of (quality) independent reporting



*"If you think it's expensive to hire a professional to do the job, wait until you hire an amateur"*



[ Back to Middle Office ] to support Front office

C O O office **internal or external ?**

- ✓ Timely and accurate reporting – to investors
- ✓ Independent and transparent – verify fund assets and valuation
- ✓ Cost efficiency and scalability/technology – to management
- ✓ Mitigate risk and maintain integrity – to regulator and internal compliance and audit
- ✓ Reduce administrative burden

# Importance of (quality) independent reporting



Due Diligence Questionnaire for Outsourcing Arrangement		Due Diligence Questionnaire for	
<b>Part A – To be completed by Service Provider</b>		<b>2. Experience and Competency</b>	
Name of Service Provider (the "SP")	Zedra Fund Services (Singapore) Private Limited	Please provide a brief description of your company's experience and competence to implement and support the contracted services.	
Registration number	UEN 201841629M		
Address	Business address: 6 Shenton Way, #25-08, OUE Downtown 2, Singapore 068809	Have there been any significant compliance findings, breaches/ lapses relating to the services rendered? If so, have they been resolved and how so? Have there been any changes in the escalation process of the firm?	
Website URL	https://www.zedra.com/		
Name of Respondent	Kelvin Sng	Describe SP's employee's qualifications and experience.	
Designation of Respondent	Executive Director, Head of Fund Services, Singapore		
Contact of Respondent	Email: kelvin.sng@zedra.com	<b>3. Employees/Directors</b>	
- Email address	Mobile : 9724 6720		
- Telephone Number		Are there any SP employee/director been the subject of any proceedings of a disciplinary or criminal nature?	
Date			
Brief description of outsourcing arrangement (the "Service")		Is there any SP employee/director that has been convicted of any offence (in particular, that has been associated with findings of fraud, misrepresentation or dishonesty)?	
Fund administration services (e.g. maintain books of account, calculation of net asset valuation, processing investors subscription and redemption, maintaining investor records)			
Contract period	Not applicable	Is there any SP employee/director accepted civil liability for fraud or misrepresentation?	
<b>S/N</b>	<b>Questions</b>	<b>Response by SP (use separate page if more space is needed)</b>	
1.	<b>Corporate Structure</b> Provide a copy of SP's latest ACRA BizFile	Please see attached Annex 1 - BizFile	

# Best practices....



MAS Monetary Authority of Singapore

Code on Collective Investment Schemes

## PREAMBLE

The Code on Collective Investment Schemes ("Code") is issued by the Monetary Authority of Singapore (the "Authority") pursuant to section 321 of the Securities and Futures Act (Cap. 289) ("SFA"). The Code sets out the best practices on management, operation and marketing of schemes, that managers, approved trustees, directors of a VCC and custodians of a VCC or a sub-fund thereof, are expected to observe.

The Code is non-statutory in nature. A failure by any person to comply with any requirement in this Code will not of itself render that person liable to criminal proceedings although any such failure may, in any proceedings whether civil or criminal, be relied upon by any party to the proceedings as tending to establish or to negate any liability which is in question in the proceedings.

## 3 The Manager

### 3.1 Functions and Responsibilities

#### Best interest

- aa) The manager should, at all times, act in accordance with the constituent document of a scheme and in the best interest of participants.

#### Records retention

- a) The manager should maintain a record of the instructions, if any, to the trustee as to how votes in relation to investments of a scheme should be exercised. In the case of a scheme constituted as a VCC or is a sub-fund thereof, the VCC should maintain a record of the instructions, if any, as to how votes in relation to investments of a scheme should be exercised.
- b) The manager should maintain a record of all soft dollars received.

#### Best execution

- d) The manager should ensure that Notice SFA 04-N16 on Execution of Customers' Orders is complied with when placing orders and/or executing transactions for the scheme.

<https://www.mas.gov.sg/-/media/mas/regulations-and-financial-stability/regulations-guidance-and-licensing/securities-futures-and-fund-management/regulations-guidance-and-licensing/codes/cis-code-last-revised-23-may-2023.pdf>

# Your role as COO, next step?



💡 Enhance governance, control structure ->

➔ Segregation of duties



Bank mandate



Trade execution

💡 Collective schemes/Funds mandate



Discretionary vs Directed

➔ What are the alarm bells?

💡 Arms-length transaction, prevent front running

do you have policy to restrict staff transaction?



➔ periodic declaration?

# Your role as COO, next step?



## Independent reporting

in-house vs external fund administrator reporting to investor?



have you done your due diligence?



## Adopt best practices

consider adopting some, if not all, of best practices



your responsibilities to stakeholders:  
investors, regulators



## Increased AML/KYC risks

do you really know your client? Is KYT necessary?



do you have sufficient SOW documents in place?  
should you adopt technology help?



---

Indulge me in another quote



***“fail to prepare,  
prepare to fail”***

---

# Disclaimer



The contents of this document are made available for information purposes only. Nothing within this document should be relied upon as constituting legal or other professional advice. No ZEDRA companies, subsidiaries or affiliates accept any responsibility whatsoever for any loss occasioned to any person no matter howsoever caused or arising as a result, or in consequence, of action taken or refrained from in reliance on any of the contents of this document.

The document must be read in conjunction with our Legal and Regulatory notice at: [www.zedra.com](http://www.zedra.com)