



CORPORATE GOVERNANCE 2024

Featured speaker - Nithi Genesan

AIWM Regulatory &
Compliance Update
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- Introduction
- Regulatory framework
- Board roles and responsibilities
- Conflicts of interest
- Transparency and disclosure
- Risk management
- Internal controls and policies



INTRODUCTION

WHAT IS CORPORATE GOVERNANCE

“Corporate governance involves a set of relationships between a company's management, its board, its shareholders and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined.”

- OECD, Principles of Corporate Governance

INTRODUCTION

WHY IS CORPORATE GOVERNANCE IMPORTANT?

- **Better access to external finance**
- **Enhances company performance**
- **Higher firm valuation**
- **Reduced risk of corporate risks and scandal**

INTRODUCTION

PILLARS OF CORPORATE GOVERNANCE

Accountability

Fairness

Transparency

Responsibility

PILLARS OF CORPORATE GOVERNANCE

Accountability

- **Accountability of directors, executives towards shareholders / stakeholder**
- **Accountability of management to board**
- **Responsibility to investors**
- **Regulatory compliance**
- **Responsible decision-making**

PILLARS OF CORPORATE GOVERNANCE

Transparency

- **Clear communication**
- **Regular reporting to regulators**

PILLARS OF CORPORATE GOVERNANCE

Fairness

- All stakeholders treated equitably including minority shareholders
- Conflicts of interests managed

PILLARS OF CORPORATE GOVERNANCE

Responsibility

- Directors and executives hold fiduciary duties
- Ethical behavior
- Risk management

REGULATORY FRAMEWORK

Monetary Authority of Singapore (MAS):

- **Securities and Futures Act (SFA):** licensing requirements, conduct of business, and regulatory obligations for fund management companies (FMCs).
- **Financial Advisers Act (FAA):** Governs the provision of financial advisory services.
- **Code of Corporate Governance and Guidelines to Corporate Governance:** Although primarily aimed at listed companies, many principles are applicable to FMCs. It outlines best practices for board composition, risk management, and internal controls.
- **Code on Collective Investment Schemes:** Sets out disclosure and conduct standards for collective investment schemes, ensuring transparency and fairness to investors.
- **Fair Dealing Guidelines:** Scope expanded to apply to all Financial Institutions including licensed fund managers.
- **Guidelines on Individual Accountability and Conduct** – promote accountability of senior management, oversight of material risk personnel and conduct of employees.
- **Guidelines on Risk Management Practices** – Board and Senior Management responsibility in risk management.

REGULATORY FRAMEWORK

Singapore Stewardship Principles (SSP):

- **SSP Framework:** Encourages institutional investors, including fund managers, to engage with investee companies responsibly. The principles emphasize long-term value creation, active ownership, and transparent reporting.

Additional Regulatory Bodies and Frameworks:

- **Singapore Exchange (SGX) Listings Rules:** For FMCs listed on SGX, additional governance requirements apply, including periodic reporting and shareholder engagement.

Board Matters

- Board composition
 - As per MAS SFA, 2 directors minimally of which 1 should be executive director.
 - Executive Director are involved in business in a day-to-day capacity and resident in Singapore.
 - Nominee directors are not permitted.
 - All directors must demonstrate relevant experience.



Board Matters

Securities and Futures (Licensing and Conduct of Business) Regulations, 13A

- Board Responsibilities
 - Implement and ensure compliance with policies
 - Put in place appropriate compliance function
 - Identify, address and monitor risks
 - Subject to internal audit
 - Set out limits of discretionary power
 - Keep written record of steps taken by Entity to monitor compliance with regulations
 - Ensure accuracy and correctness of books and records
 - Ensure effective controls and segregation of duties



Board Matters

Securities and Futures (Licensing and Conduct of Business) Regulations, 13B

- Board Responsibilities
 - Put in place appropriate risk management framework
 - Subject assets to independent valuation and reporting
 - Segregate assets under management from prop money
 - Accord priority to transactions made on behalf of customers
 - Mitigate and disclose conflicts of interest



Board Matters



Fiduciary Duties

FAIR DEALING GUIDELINES

- Revised as of 30 May 2024
- Expanded to all FIs including fund managers
- Five Outcomes

Confidence in FIs
to deal fairly

Offer only suitable
products and
services

Competency of
representatives

Clear, relevant
accurate
information

Independent,
effective and
prompt complaints
handling



Individual Accountability and Conduct

Guidelines on Individual Accountability and Conduct

- Promote ethical behavior in FIs
- Strengthen accountability of senior management
- Five Outcomes

Core functions
are clearly
outlined

Senior
management is
fit and proper &
held responsible

Transparent
management
and reporting
structure

Material risk
personnel fit and
proper &
remuneration

Appropriate
framework



Disclosures and Transparency

Guidelines on Licensing and Conduct of Business

- Assets under management are subject to independent valuation and customer reporting
- Perform annual independent audit
- Perform periodic internal audit
- Disclose relevant information for each account/fund managed:
 - a) Investment policy and strategy and risks associated
 - b) Fees, termination or exit, gating, side-pocketing , lock-up, suspension and redemption, penalties
 - c) Valuation policy and performance measures
 - d) Use of leverage
 - e) Counterparties used
 - f) Custodians, trustees, fund admins used
 - g) Circumstances under which fund/account can be terminated



Disclosures and Transparency

Guidelines on Licensing and Conduct of Business

- Fund managers dealing in digital assets minimally disclose:
 - Heightened price, liquidity and volatility risks
 - Risks associated with using intermediaries like trading platforms
 - Regulatory and legal risks associated with digital assets



Conflicts of Interest

Guidelines on Licensing and Conduct of Business, Guidelines on Fair Dealing, Guidelines on Fit and Proper Criteria

- Appropriate policies and procedures to identify and mitigate conflicts
 - Procurement of related party services
 - Investing proprietary funds alongside third party funds
 - Fund manager invests third party money into securities of the fund manager's related entities
 - CEO, directors or representatives have external business interests that are in conflict
 - Appropriate governance structure to monitor conduct of CEO, directors, representatives and employees
 - Establish disciplinary action framework to hold individuals accountable



Conflicts of Interest

Guidelines on Licensing and Conduct of Business, Guidelines on Fair Dealing, Guidelines on Fit and Proper Criteria

- Conflicts of interest management procedures
 - Adequate disclosures
 - Independent verification
 - Penalty for non-adherence



Complaints Procedure

Guidelines on Licensing and Conduct of Business & Guidelines on Fair Dealing

- Establish clear policies and procedures to handle customer complaints and feedback effectively and promptly
- Senior management responsible for handling customer complaints to be identified
- Document escalation and review process and communication to employees



Risk Management

Guidelines on Risk Management Practices – Board and Senior Management, Guidelines on Licensing and Conduct of Business

- Broaden scope to include CEO, not only directors and senior management to ensure risk management function is adequate
- Establish clear line of escalation to be kept informed of risks in a timely manner
- Demonstrate measures are implemented to address risks specific to size and nature of assets under management

- Market risk, portfolio risk, operational risk



Key Internal Controls

Compliance with Regulatory Requirements

Appropriate structure and governance

Effective Risk Management

Managing Conflicts of Interest

Maintain strong internal controls

Adherence to ethical standards

Transparency and client communication

Effective complaints handling procedures



How can we assist

- Update Compliance Policies and Procedures
- Provide training to employees and directors on compliance obligations
- Provide ongoing outsourced compliance support to ensure sufficient compliance support is provided
- Provide internal audit services.

Nithi Genesan

Managing Director

Nithi Genesan is a compliance and regulatory specialist with over 15 years of experience working within the financial sector and an in-depth knowledge of the laws and regulations of the financial markets. Nithi's vast experience includes working within securities, asset management, insurance, financial advisory and payment services.

Nithi manages numerous AML/KYC projects for large institutions and oversees the Compliance Team, providing the team with direction and oversight as they support clients with ongoing compliance matters including, obtaining licenses, internal audits, preparing for MAS inspections, providing compliance gap analysis and compliance training.

An experienced compliance trainer, Nithi conducts training for institutions ranging from asset management entities to top-tier banks and works with the Institute of Banking and Finance (IBF) to obtain accreditation for compliance training courses in Singapore.

Nithi holds a Master's degree in Applied Finance from the Manchester Business School and is a graduate from the National University of Singapore. In addition, Nithi is a holder of the International Compliance Association Diploma.



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