

Implementation of MAS Due Diligence Requirements for Corporate Finance Advisers

On 23 February 2023, the Monetary Authority of Singapore (**MAS**) issued Notice SFA 04-N21 on Business Conduct Requirements for Corporate Finance Advisers (**CF Advisers Notice**), which imposes mandatory baseline standards of due diligence and conduct requirements for corporate finance advisers (**CF Advisers**).

In its media release, the MAS indicated that these requirements are intended to raise the standards of conduct of CF Advisers, improve the quality of disclosures and allow investors to make informed decisions.

Part 1 of the CF Advisers Notice applies when a CF Adviser advises on corporate finance, and lists a number of general requirements in relation to managing conflicts of interest, and governance and supervision (**General Requirements**).

Part 2 of the CF Advisers Notice sets out certain due diligence requirements (**Due Diligence Requirements**), and is generally consistent with the Association of Banks in Singapore (ABS) Listings Due Diligence Guidelines. The Due Diligence Requirements apply to, among others, CF Advisers who advise on corporate finance in the capacity of an issue manager, sponsor or financial adviser (as the case may be) on:

- An initial public offering where the securities are to be listed for quotation on a Specified Approved Exchange (i.e., Singapore Exchange Securities Trading Limited);
- A reverse takeover involving an entity listed on a Specified Approved Exchange; and
- A business combination involving a special purpose acquisition company (SPAC) listed on a Specified Approved Exchange.

The CF Advisers Notice will apply to any engagement to advise on corporate finance entered into by a CF Adviser on or after 1 October 2023, and will require any such CF Adviser to:

- Develop and implement policies, procedures and controls to meet all the requirements of the CF Advisers Notice;
- Monitor the implementation of such policies, procedures and controls; and
- Periodically consider the need to enhance these policies, procedures and controls and, where necessary, undertake such enhancement.

General Requirements

The General Requirements require the CF Adviser to, among other things: (a) identify and mitigate any potential or actual material conflict between its interests and the interests of the customer, and disclose any such conflict to the customer to the extent appropriate; and (b) ensure adequate oversight by its senior management of its business in advising on corporate finance and ensure adequate supervision and management of its representatives. In addition, the CF Adviser must have in place policies, procedures and controls in relation to the management of conflicts of interest, as well as implement governance and supervision procedures.

Due Diligence Requirements

The Due Diligence Requirements stipulate that the CF Adviser must, among other things:

- (a) Conduct due diligence with reasonable care, skill and diligence;
- (b) Advise the listing applicant and its directors on regulatory requirements, including their duties and responsibilities under the Securities and Futures Act 2001 and the listing rules relevant to its listing application and to its continuing obligations after admission to the Specified Approved Exchange;
- (c) Ensure that there is adequate supervision by senior management on the formulation and the implementation of any due diligence plan proposed by the transaction team;
- (d) Verify any material representations made by the listing applicant, conduct background checks on the listing applicant, its listing group entities, directors, key executives and controlling shareholders, monitor and assess any material developments related to the transaction or listing applicant, inspect key physical assets and interview major business customers and other stakeholders, and, where material issues are involved, review relevant underlying records and supporting documents and obtain additional information from third party sources or appoint third parties to perform relevant checks, where appropriate;
- (e) Be satisfied with the knowledge, skills and experience, qualifications and independence of experts appointed by the listing applicant, and that its reliance on the conclusions or opinions of any report prepared by an expert is reasonable;
- (f) Prior to the submission of the listing application and before the listing applicant's admission to the Specified Approved Exchange, be satisfied, among other things:
 - (i) That all material due diligence issues have been, or will prior to the listing applicant's admission to the Specified Approved Exchange be, satisfactorily resolved or disclosed in the listing application or the prospectus;
 - (ii) With the completeness of information in the listing application;
 - (iii) That the listing applicant is compliant with the listing rules relevant to the listing application;
 - (iv) That the listing applicant has established procedures, systems and controls which enable the listing applicant and its directors to comply with the listing rules and other relevant legal and regulatory requirements applicable to the activities of the listing applicant and make a proper assessment of the financial position and prospects of the listing applicant; and
 - (v) That the directors of the listing applicant collectively have the experience and qualifications to manage the listing applicant's business and comply with its obligations under the listing rules and other relevant legal and regulatory requirements applicable to the activities of the listing applicant.

Notice SFA 04-N21 on Business Conduct Requirements for Corporate Finance Advisers is available [here](#).
The MAS also issued its response to the Consultation Paper on Introduction of Due Diligence Requirements for Corporate Advisers and it is available [here](#).

If you would like information or assistance on the above or any other area of law, you may wish to contact the Partner at WongPartnership whom you normally work with or any of the following Partners:



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