



NEW LISTING RULE 29 June 2006

The following sets out the new rules for the listing of Hedge Funds and the continuing listing obligations which come into effect from 29 June 2006.

CHAPTER 4 PART V SPECIALIZED FUNDS

Venture Capital Fund

- 412 A venture capital fund must be offered for sale and be quoted for trading in denominations of at least S\$5,000.

Hedge Fund

- 413 A hedge fund applying for listing must:
- (1) comply with the requirements of this Chapter, with modifications as prescribed by Rule 414.
 - (2) comply with one of the following:
 - (a) the hedge fund must be authorized or recognized under section 286 or 287 of the SFA in respect of the offer of its units to the public; or
 - (b) the units of the hedge fund must be offered only to institutions and/or accredited investors.
 - (3) where the hedge fund enters into transactions with or through a prime broker, the prime broker (or its parent company) must have:
 - (a) a credit rating of at least A for long-term debt from Moody's or Standard and Poor's and P-2 or A-1, respectively, for short-term debt; and
 - (b) financial resources in excess of US\$200 million (or its equivalent in another currency).
 - (4) have in place an independent risk management function.
 - (5) issue an offering memorandum or introductory document that contains adequate disclosure of all material risks that are specific to the hedge fund. In addition, the fund should state in its offering memorandum or introductory document all provisions and/or conditions under which the fund will be closed and all monies returned to its subscribers.

414 The following will apply to a hedge fund:

- (1) For the purposes of Rules 404(1)(a) and 404(2)(a), the asset size of the hedge fund should be determined on an un-leveraged basis (i.e. net of borrowings).
- (2) Generally, a fund will be deemed to have satisfied Rule 404(5) if the management company has been in operation for at least five years. However, the Exchange may accept a management company that has been in operation for less than five years, if the Exchange is satisfied that the management company is reasonably able to perform its duties.
- (3) A hedge fund will be deemed to have satisfied Rule 404(6) if its investment manager has at least one principal with at least 5 years of relevant investment management experience. For a fund-of-funds strategy, the Exchange will consider the investment management experience of the principal responsible for the investment management activities of the listed fund-of-funds. If the key principal of an investment manager leaves and cannot be replaced within a period of 1 month, the fund will be required to wind up.
- (4) While a hedge fund eligible for a listing will be admitted to the Official List of the Exchange, there will be no trading in the units of the fund on the Exchange. As such, Rules 404(1)(b), 404(2)(b), 404(2)(c) and 404(2)(d) will not apply.
- (5) A hedge fund must observe the continuing listing obligations stipulated in Rule 748, with the following modifications:
 - (a) The hedge fund must announce via SGXNET its net asset value per unit, as soon as practicable after each month end, but in any event no later than 7 business days. In addition, the hedge fund must immediately announce the following information relating to its operations:-
 - (i) any general suspension of calculation of net asset value;
 - (ii) any material change in net asset value or any change in the valuation policy;
 - (iii) any proposed or actual material change in the general character or nature of the operation of the fund;
 - (iv) any proposed or actual change in the investment policy and/or objective;
 - (v) any proposed or actual material change in investment, borrowing and/or leverage restrictions;
 - (vi) any material change in the organization or arrangements of the fund, including any change in its investment manager, custodian, administrator or independent auditor;
 - (vii) any redemption of 30% or more of the fund.
 - (b) A hedge fund must announce its financial reports for the first half year and the full financial year in accordance with Rule 748(2). However, the hedge fund does not have to present its financial statements in the format set out in Appendix 7.2.
 - (c) The annual report of a hedge fund does not have to include the information required by Rules 748(3)(a), 748(3)(b) and 748(3)(c). However, if the hedge fund is offered only to institutions and/or accredited investors, the annual report should contain all information that institutions and/or accredited investors would customarily expect to see in such reports.
- (6) Where a hedge fund breaches any listing rule, the Exchange will not automatically delist the fund, but will consider the nature and circumstances of the breach before deciding on the action to be taken.
- (7) As soon as practicable after the fund receives approval in-principle from the Exchange, the fund should submit the document of Rule 410(1) and a copy of prospectus, offering memorandum or introductory document in electronic form.

Arising from the above, the following consequential amendments have been made to Rules 404(3), 404(7) and 409(1).

1. Listing Rule 404(3)

Listing Rule 404(3) be amended as follows:

404(3) An investment fund which is denominated in Singapore Dollars (other than a venture capital fund or a hedge fund) must comply with the following:-

- (a) It must limit its investments in companies which are related to the investment fund's substantial shareholders, investment managers or management companies, to a maximum of 10% of gross assets;
- (b) It must abide by the same investment and borrowing restrictions that govern "investment companies" prescribed by the Companies Act; and
- (c) It must restrict investments in unlisted securities to 30% of gross assets.

2. Listing Rule 404(7)

Listing Rule 404(7) be amended as follows:

~~Venture Capital Fund~~

~~404(7) A venture capital fund must be offered for sale and be quoted for trading in denominations of at least S\$5,000.~~

Non-Traded Fund

404(7) An investment fund that is listed, but does not intend to trade its units on the Exchange, will not have to comply with Rules 404(1)(b), 404(2)(b), 404(2)(c) and 404(2)(d).

3. Listing Rule 409(1)

Listing Rule 409(1) be amended as follows:

409 One copy of the following documents must be submitted together with the prescribed listing fee:-

- (1) Prospectus, offering memorandum or introductory document containing the information required in Chapter 6. A checklist showing compliance with the provisions of Chapter 6 should also be submitted. If the investment fund is offered only to institutions and/or accredited investors without a prospectus, the offering memorandum or introductory document does not have to contain the information required in Chapter 6. However, the offering memorandum or introductory document submitted to the Exchange must be in final form containing information that such investors and their professional advisors would reasonably require taking into account market practice.