

FREQUENTLY ASKED QUESTIONS (FAQs) ON DIGITAL INVESTMENT MANAGER

1. As a licensed portfolio management company, can I leverage my existing licence to offer digital investment management services without having to apply for a separate licence to be a Digital Investment Manager?

No, you cannot offer or hold yourself out as providing digital investment management services unless you are licensed as a Digital Investment Manager. There are critical differences between a Digital Investment Manager and a traditional portfolio manager. A Digital Investment Manager incorporates innovative technologies to provide automated discretionary portfolio management services where core components of its services including risk profiling, suitability assessment, asset allocation and rebalancing are automated.

As such, this differentiation needs to be reflected in the type of licence that the intermediary holds and the regulatory requirements need to commensurate with the unique and specific aspects of the Digital Investment Manager's business model.

2. Can a Portfolio Manager or a Boutique Portfolio Manager vary its licence to become a Digital Investment Manager?

Yes, you can but you must satisfy the requirements to be a Digital Investment Manager and in this regard, your variation would require prior approval from the SC.

To vary your licence, you must:

- i) satisfy the digital value proposition requirements;
- ii) have technology capabilities to undertake digital investment management business;
- iii) have the necessary expertise and resources in place to carry on such activity; and
- iv) satisfy other requirements specified for digital investment management in the *Licensing Handbook*.

3. As a licensed portfolio management company, do I have to set up a separate company to be a Digital Investment Manager?

There is no requirement for a separate company to be set up for this purpose. The setting up of a separate company is a business decision. You can be licensed as both Portfolio Manager and Digital Investment Manager.

4. Can an existing licensed portfolio management company applying to be a Digital Investment Manager leverage the existing resources including the licensed director, licensed representative and compliance officer?

Leveraging existing resources is allowed, subject to the following:

- i) The identified resources has the ability and relevant competency to undertake the activity;
- ii) Such arrangement will not give rise to potential conflict of interest situation; and
- iii) Such arrangement will not compromise the operations and performance of its existing business.

5. Would a Digital Investment Management Company be required to make contributions to the Capital Market Compensation Fund?

Yes, you would be required to make contributions to the Capital Market Compensation Fund, which is aimed at investor protection.

6. Is there a requirement for a readiness audit to be conducted prior to commencement of the Digital Investment Management business?

Yes. A readiness audit must be carried out by an independent party.

7. Can a Digital Investment Manager acquire or engage the service of a technology provider without developing the system in-house?

Yes, you can. However, the Digital Investment Manager will remain accountable for all outsourced functions. Further, you must comply with Chapter 10 of the *Licensing Handbook* which deals with outsourcing.