

**FREQUENTLY ASKED QUESTIONS**  
**SINGLE FAMILY OFFICE (SFO) INCENTIVE SCHEME**  
**(Issued: 23 September 2024)**  
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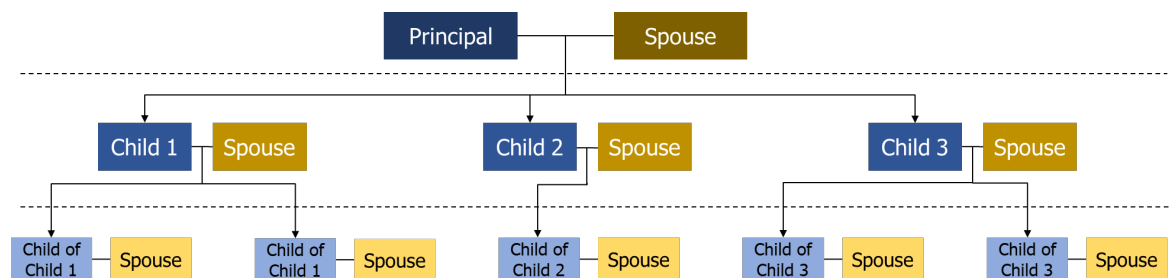
## **ESTABLISHING A SINGLE FAMILY OFFICE**

### **1. What constitutes a single family?**

A single family means a family whose members are lineal descendants of a single ancestor and include the spouses and children of these individuals.

In this regard, 'children' means the biological children, stepchildren of a member of the single-family or a child adopted by a member of the single-family in accordance with the relevant law.

Illustration of a single family:



Based on the illustration above, the single family would comprise the Principal and Spouse (principal family) and the principal family's descendants including their spouses and child.

### **2. Would a single family consisting of foreign nationals fall within the definition of single family under the SFO Incentive Scheme?**

Yes, under the SFO Incentive Scheme, a single family can consist of either Malaysian or foreign individuals, as long as the relationship between these individuals meet the definition of single family as set out above.

## **(A) Single Family Office Vehicle (SFOV)**

### **3. What is a single family office vehicle (SFOV)?**

An SFOV is a fund company incorporated under the *Companies Act 2016*, which is wholly owned directly or indirectly, by one or more individuals, all of whom are members of a single family. The SFOV is established solely for the purpose of holding the assets and investments for the interest of members of the single family.

For purposes of the SFO Incentive Scheme, the SFOV must be incorporated on or after 1 September 2024.

### **4. Does the SFOV need to open a new bank account?**

Yes, the SFOV must open and maintain a banking account with a licensed bank under the *Financial Services Act 2013*.

The SC would require proof that enhanced customer due diligence (eCDD) has been conducted on these bank accounts in accordance with Malaysia's *Anti Money Laundering and Counter Financing of Terrorism (AML/CFT)* requirements.

## **(B) Single Family Office Management Company (SFO MC)**

### **5. What is a single family office management company (SFO MC)?**

An SFO MC is a corporate vehicle incorporated under the *Companies Act 2016*, which is wholly owned, directly or indirectly by one or more individuals, all of whom are members of a single family. The SFO MC is established for the purpose of managing the assets and investments of the single family for the interest of its members. Under the SFO Incentive Scheme, the SFO MC must also be a related corporation to the SFOV.

**6. Is an SFO MC required to be licensed by the SC?**

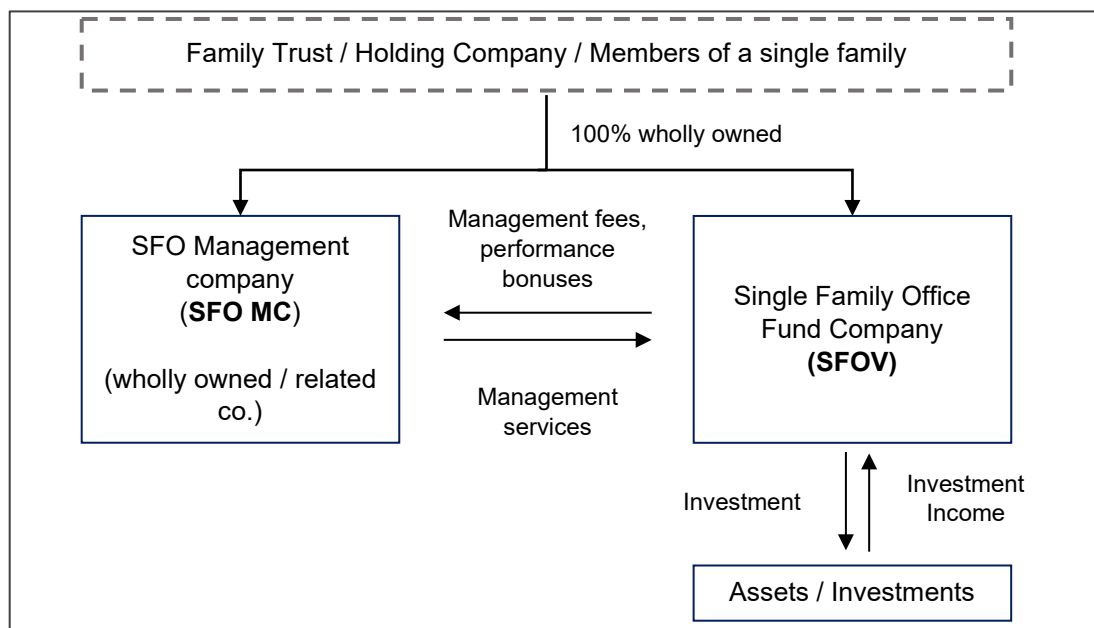
In the case where the SFO MC manages capital market products on behalf of the SFOV, the SFO MC triggers the requirement to obtain a fund management licence under the *Capital Markets and Services Act 2007* (CMSA).

Notwithstanding, given that the SFO MC is carrying out fund management services solely for the SFOV, which is its related corporation, it is deemed to be a specified person as set out under paragraph 7 of Schedule 3 of the CMSA. A specified person is exempted from the requirement to obtain a licence under the CMSA.

Notwithstanding the exemption, subsection 58(3) of the CMSA empowers the SC to impose such terms and conditions as it may deem appropriate on a specified person.

Further, unlike SFOV which must be a new entity incorporated on or after 1 September 2024, the SFO MC can be any existing entity established even prior to 1 September 2024.

Please refer to the diagram below, for an illustration of the relationship between an SFO MC and an SFOV.



For further clarity, a 'related corporation' means a corporation:

- (a) that is related to the first-mentioned corporation by virtue of section 7 of the *Companies Act 2016*; or
- (b) deemed to be a related corporation of another corporation where both corporations have the same individual or a group of individuals who—
  - i. controls the composition of the board of directors of the corporations;
  - ii. controls more than half of the voting power of the corporations; or
  - iii. holds more than half of the total number of issued shares of the corporation, excluding any part of the share capital which consists of non-voting shares.

The SFOV is advised to seek legal opinion to verify the relationship between the SFO MC and SFOV, particularly in cases involving complex ownership structures with multiple layers of holdings, to demonstrate that the SFO MC and SFOV are indeed related companies as defined above.

In this regard, to ensure professional standards and familiarity with Malaysian law, the SC would only accept legal opinions furnished by Malaysian law firms who are registered with the Malaysian Bar Council.

#### **7. Can the SFO MC outsource any part of the SFOV's asset under management?**

Yes, the SFO MC may outsource any part of the assets under management to a licensed holder of a Capital Markets Services Licence (CMSL) for fund management undertaking portfolio management.

The list of CMSL holders can be found on the Public Register of Licence Holders and Registered Persons at: <https://easy.seccom.com.my:8222/>.

Other parts of operations or activities which are not related to investment management, may be outsourced to any third party.

**8. Can the SFO MC delegate the management of assets to foreign or offshore fund managers?**

Under the SFO Incentive Scheme, the SFO MC is not permitted to delegate discretionary investment management to offshore fund managers. All portfolio decisions and investment allocations must be made in Malaysia by the SFO MC or by a licensed fund manager.

Offshore fund managers may only be appointed to act as an execution and custody agents. This means they can carry out transactions (e.g. buying or selling securities) or provide safekeeping of assets, but they cannot exercise decision-making powers relating to any investment strategies or directions.

For example, if the SFO MC decides to invest in a mutual fund managed overseas (e.g. by a global asset manager), the offshore financial institution may facilitate the subscription and hold the foreign units in custody. In this case, the decision to invest and subscribe must be made by the SFO MC in Malaysia, and the offshore party acts purely as a distribution/execution channel.

**9. Does the SFO MC have to be operating in Pulau 1, Forest City Special Financial Zone (FC SFZ)?**

The SFO MC is not required to be operating in Pulau 1, FC SFZ.

**10. For a newly established SFOV, must it be operating in Pulau 1, FC SFZ for the entire year to qualify for the SFO tax incentive?**

To qualify for the SFO Incentive Scheme, the SFOV must have its business address in Pulau 1, FC SFZ, for at least six months in its first year of establishment before the end of the year of assessment.

**11. How much paid-up capital is required to incorporate the SFOV and SFO MC?**

No minimum paid-up capital requirements are prescribed for the incorporation of the SFOV or the SFO MC. Applicants are advised to determine the appropriate capitalisation based on their business needs and operational requirements.

**12. Does the SFO Incentive Scheme apply to a Multi-Family Office (MFO)?**

No, the SFO Incentive Scheme is specifically designed for Single Family Offices (SFOs). Multi Family Offices (MFOs), which provide investment management services to multiple families, would be subject to licensing requirements under the CMSA as the MFOs are considered to be carrying on a regulated activity of fund management since the provision of its services are not limited to its related corporation.

For further details on the licensing requirements for fund managers seeking to provide services to multiple family offices, please refer to the SC's Licensing Handbook or contact the SC's Licensing Department.

The MFOs are also not eligible for any tax incentives under the SFO Incentive Scheme.

## **TAX INCENTIVE**

### **13. Are there any tax incentives available for the SFO MC?**

No, the SFO MC is not eligible for any tax incentives under the SFO Incentive Scheme. It will be subject to the prevailing corporate tax rates in Malaysia.

### **14. What happens if the SFOV does not qualify for the income tax exemption in a particular year?**

If the SFOV does not meet the eligibility requirements for the income tax exemption in a given year, the SFOV will be subject to prevailing corporate tax rates for that financial year. This will not prevent the SFOV from applying for tax certification with the SC in the following year once it meets all required conditions.

However, the 10-year assessment period will continue to apply from the date of the SFOV's first certification and will not be extended due to any non-qualifying years.

For example, if an SFOV receives its first tax certification in 2030, the 10-year tax incentive period will apply from year 2030 to year 2039. If in year 2032, the SFOV fails to meet the eligibility conditions under the SFO Incentive Scheme, the SFOV will have to pay prevailing corporate tax rate for year 2032.

Notwithstanding the above, year 2032 will still be counted as part of the 10-year assessment period for the SFOV under the SFO Incentive Scheme. The SFOV may continue to enjoy the SFO Incentive Scheme for the remaining years within the period i.e. year 2034 onwards until year 2039, provided it complies with the eligibility conditions. After year 2039, the SFOV may apply for a subsequent 10-year extension, subject to meeting the relevant requirements.

### **15. What is SC's role in relation to the SFOV's application for the income tax exemption?**

The SC will administer the SFO Incentive Scheme on behalf of the government by providing certification to the eligible SFOVs for purposes of the SFOV's application for

the income tax exemption. This includes assessing applications to ensure compliance with the eligibility criteria.

Interested SFOVs are welcome to seek a consultation with the SC to confirm eligibility for the tax incentive. For more information on the tax incentive or any queries regarding the SFO Incentive Scheme, please email [SFOScheme@seccom.com.my](mailto:SFOScheme@seccom.com.my).

## **ASSETS UNDER MANAGEMENT (AUM)**

### **(A) Investments**

#### **16. What is referred to by 'any exchange' for shares that are listed and traded to qualify as permitted investments?**

'Any exchange' refers to a stock exchange which is:

- (a) in a jurisdiction which regulator is a signatory to Appendix A of the International Organisation of Securities Commissions Multilateral Memorandum of Understanding; or
- (b) a member or an affiliate of the World Federation of Exchanges; and
- (c) trading on the exchange does not contravene any of the Malaysian legal, regulatory or governmental policies and requirements.

#### **17. Are there any specific types of assets which are excluded from the above lists?**

The following type of assets are excluded and do not form part of the permitted assets:

- (a) tokenised capital market products, i.e. using distributed ledger technology (DLT) to create a digital representation of the assets;
- (b) digital assets, as defined in the *Guidelines on Digital Assets* issued by the SC; and
- (c) shares of private companies whose sole business is holding Malaysian immovable properties without any operational business activities are not eligible local investment.

#### **18. Can the SFOV hold assets that are not listed as permitted investments?**

The SFOV may hold assets which are not listed as permitted investments for the benefit of the single family. However, those assets will not form part of the eligible AUM and therefore, will not be included in the calculation of the minimum AUM requirement. Notwithstanding, the SC may permit other type of assets on a case-to-case basis.

**19. Are there any limitations in regard to the types of funds or assets which can be held by the SFOV?**

The SFOV must comply with the Financial Action Task Force (FATF) recommendations by ensuring that the SFOV's assets and investments do not originate from or be owned by nationals or residents of countries listed under FATF's high-risk jurisdictions or jurisdictions subject to increased monitoring (black list and grey list respectively), as set out on FATF's official website as follows:

<https://www.fatf-gafi.org/en/countries/black-and-grey-lists.html>

Any assets or investments owned by a single family comprising nationals of countries which do not have diplomatic relations with Malaysia would also be restricted from being held by the SFOV.

**20. Can business operations be included as permitted investments?**

SFOV may hold shares in operating companies as part of its permitted investments. However, SFOV cannot be used to run or engage directly in business operations.

Overall, SFOV must be established solely for investment purposes, with its AUM comprising of assets set out in the Appendix I and II of the *Guidelines on Single Family Office Incentive Scheme*.

**21. Are investments in real estate located outside of Forest City included as part of permitted investments?**

No, real estate investments are strictly limited to residential and commercial properties in Forest City, covering both the real estate on the mainland and Pulau 1.

Additionally, standalone private companies whose sole business is holding Malaysian immovable properties without any operational business activities are also not permitted investments and will not form part of the SFOV's asset composition.

## **22. Can private company shares be transferred into the SFOV?**

Subject to the limitation on standalone private companies set out above, equity stake in private companies incorporated in Malaysia can be transferred into the SFOV.

Equity stakes in companies engaged in active business operations are eligible for transfer into the SFOV.

For example:

- The family holds ordinary shares in a manufacturing company engaged in active business operations (e.g. production of electronics). These shares may be transferred into the SFOV as part of the family's asset base.
- The family owns equity interest in a real estate development company that undertakes residential and commercial projects, including land acquisition and construction. These shares can also be transferred to the SFOV, provided the company is actively operating.

However, equity stakes in property-holding companies that primarily own and trade Malaysian immovable properties are not eligible for transfer into the SFOV. This includes situations where:

- the family holds shares in a company that primarily owns and rents out residential or commercial properties in Malaysia for long-term capital gains or rental income, without undertaking active development. Such passive property-holding entities are not permitted.
- the family owns equity in a company that holds undeveloped landbanks in Malaysia without any immediate or approved development plans. These shares would not qualify for inclusion in the SFO Incentive Scheme.

## **23. Can the SFOV hold foreign currency deposits with a local licensed banks?**

Yes, the SFOV is permitted to place foreign currency in a deposit or multicurrency account with a licensed bank under the *Financial Services Act 2013*.

**24. Can bank deposits in a financial institution regulated under Bank Negara Malaysia (BNM) be considered a local investment?**

No, bank deposits - even those held in financial institutions regulated under BNM - do not qualify as local investments.

However, bank deposits can be counted towards the 90% portion of AUM under the permitted assets category.

**25. How can the SFOV ensure smooth capital flows for my AUM under the SFO Incentive Scheme?**

As part of the incentive package for FC SFZ, entities approved to undertake qualifying activities in FC SFZ are eligible for Foreign Exchange Policy (FEP) flexibilities on offshore borrowing and investment in foreign currency assets as listed below:

**a. No limit on offshore borrowing**

Free to obtain foreign currency (FCY) borrowing in any amount from non-resident financial institutions and other non-related non-residents, including through issuance of securities or Islamic securities denominated in FCY. Proceeds obtained from the borrowing shall be utilised abroad or for business operations carried out within the FC SFZ only. On-lending to resident entities outside of the zone is not permitted.

**b. No limit on investment in FCY assets**

Free to invest any amount in FCY assets onshore and abroad, provided that funds for investments are sourced from non-residents or abroad. Examples of eligible sources of funds include but are not limited to:

- (a) Offshore borrowing obtained from non-residents
- (b) Funds managed on behalf of non-residents originating from abroad
- (c) Funds repatriated from abroad by residents
- (d) Capital injection received from non-residents

For further information on FEP rules, please refer to BNM's website at: <https://www.bnm.gov.my/fep>

A one-off registration with BNM is required to be made with an annual compliance declaration. The flexibilities are valid for five years, with renewal for another five years subject to BNM's approval.

An SFOV may request for the relevant application forms during its consultation with SC.

## **(B) Calculation of AUM under the SFO Incentive Scheme**

### **26. How is AUM calculated under the SFO Incentive Scheme?**

Guidance on calculating assets under management (AUM) by type of investment is illustrated in the table below:

<i>Type of Investment</i>	<i>Prescribed Method</i>
Shares or securities <sup>1</sup> equivalent to shares that are traded on any exchange	Market price per share as at end-date of year of assessment × Number of shares held
Shares of any company <sup>2</sup> incorporated under the <i>Companies Act 2016</i>	Fair value per share which is consistently applied and leads to objective and independently verifiable valuation.  <u>Note:</u> <ul style="list-style-type: none"> <li>Fair value is the price at which an orderly transaction to sell the asset would take place between market participants at the measurement date under current market conditions transacted on an arm's length basis and determined with due care and in good faith.</li> <li>Changes in valuation methodology should be disclosed and justified, especially where there is a material impact on reported AUM.</li> </ul>
Debenture, stocks or bonds issued by any government  Shares in or debenture of, a body corporate or an unincorporated body	If market price is available: Market price for each instrument as at the end-date of the year of assessment  If market price is not available:

<sup>1</sup> The following are excluded and do not form part of the permitted assets -

- i. tokenised capital market products, i.e. using distributed ledger technology (DLT) to create a digital representation of the assets; and
- ii. digital assets, as defined in the *Guidelines on Digital Assets* issued by the SC.

<sup>2</sup> Other than standalone companies whose sole business is holding Malaysian immovable properties without any operational business activities.

<i>Type of Investment</i>	<i>Prescribed Method</i>
Sukuk  Notes, commercial papers and treasury bills	Use discounted cash flow (DCF) method or equivalent, such as but not limited to: $Present\ value = \sum_{t=1}^n \left( \frac{Coupon}{(1+r)^t} + \frac{Par\ Value}{(1+r)^n} \right)$  Where: $r$ = Market interest rate $t$ = Time period of each coupon payment $n$ = Total time to maturity
Derivatives that are traded on a derivatives exchange, or dealt in the OTC market  Interest rate or currency contracts on a forward basis, interest rate or currency options, interest rate or currency swaps, and any financial derivatives	Market value or fair value as at end-date of year of assessment, based on an appropriate valuation method which is checked by independent party such as fund accountant or auditor.  <u>Note:</u> Where the underlying instrument of a derivative is a commodity, such derivative must be settled in cash at all times.
Placement of domestic and foreign deposits with a licensed bank	Deposit amount as at end-date of year of assessment
Units or shares in collective investment schemes that are managed by an entity which is approved, authorised or licensed by any securities regulator to conduct fund management activities	NAV per unit as at end-date of year of assessment x Number of units or shares held
Assets that are managed by CMSL holder for fund management undertaking portfolio management	AUM of the portfolio (mandate) as at end-date of year of assessment
Venture capital (VC) & Private equity (PE) funds	Total capital called as at end-date of year of assessment (i.e. amount contributed/wired by the SFOV into the fund)
Unit trust fund issued by an entity incorporated in Malaysia	NAV per unit as at end-date of year of assessment x Number of units held
Real estate limited to Forest City (residential and commercial properties)	Appraised value for each property, with the valuation date being no later than one year from the end-date of first year of assessment.  <u>Note:</u> For subsequent annual tax certification valuation must be conducted on the real estate by an independent valuer once every 3 years.

<i>Type of Investment</i>	<i>Prescribed Method</i>
Equity crowd funding (ECF) campaigns on SC registered ECF platforms	<p><u>Where investments are directly held</u> Shares acquired (A) – Shares disposed (if any) (B)</p> <p><u>Note:</u> (A) Acquisition of shares: price x number of shares (B) Disposal of shares: price x number of shares</p> <p><u>Where investments are via a nominee company</u> (Investor’s Share/ Total Nominee Holdings) × Total Assets in Nominee Account</p>
Peer-to-peer financing (P2P financing) campaigns on SC registered P2P financing platforms	<p>Outstanding loan principal: Principal Invested + Repaid Interest*</p> <p>*Includes any reinvested funds from interest earnings or repayments.</p>

In calculating AUM, the SC will apply a gross asset value methodology, i.e. based on the total fair value of all qualifying assets held within the SFOV, without deduction for borrowings, pledged securities, or other financing arrangements.

## **27. How is the AUM for promoted local investments calculated?**

Promoted local investments qualify for a 1.5x multiplier in local AUM calculations.

For example, an investment of RM1 million into an ECF campaign on a SC-registered ECF platform would be counted as RM1.5 million towards the local AUM requirement due to the multiplier effect.

## **OFFICER REQUIREMENT**

### **28. Do the full time employees (FTEs) need to be based in Pulau 1, FC SFZ?**

Yes, both FTEs are required to be based in Pulau 1, FC SFZ.

### **29. Can the investment professional be a family member?**

There is no restriction against employing a family member as an investment professional. The SFOV may hire a family member provided they meet the qualification and experience criteria set out under the SFO Incentive Scheme.

### **30. Can the SFOV hire foreign professionals as FTEs?**

Yes, the SFOV may hire foreign professionals as part of its FTE requirement, including for the investment professional position. However, all FTEs must be Malaysian tax residents and be based in Pulau 1, FC SFZ.

For foreign professionals, visa facilitation will be provided, and further details on the application process will be communicated once finalised. Interested SFOVs may contact the SC for further assistance at [SFOScheme@seccom.com.my](mailto:SFOScheme@seccom.com.my).

## **LOCAL EXPENDITURE**

### **31. What qualifies as local operating expenditure (OPEX) under the SFO Incentive Scheme?**

Local OPEX refers to expenses incurred as a result of payment to Malaysian-incorporated companies or local tax residents. Examples of qualifying expenditures include:

- (a) Employee remuneration (wages, salaries, bonuses, pension contributions, etc.)
- (b) Professional services (legal, audit, tax, advisory, management fees)
- (c) Rental and utilities
- (d) Fees paid to the SFO MC for management services

### **32. Is there a minimum OPEX requirement?**

During the initial assessment period

The SFOV must incur an annual OPEX of a minimum of RM500,000 locally.

During the subsequent assessment period

The SFOV must incur an annual OPEX (30% higher than during the initial assessment period) of a minimum of RM650,000 locally.

### **33. Is the local operating expenditure limited to expenses incurred in Malaysia?**

Yes, all local operating expenditures must be incurred within Malaysia and paid to Malaysian-registered entities or local tax residents to qualify under the SFO Incentive Scheme.

### **34. Can the SFOV engage foreign service providers?**

Yes, the SFOV may engage foreign service providers where necessary. However, payments made to foreign entities will not be counted towards meeting the local operating expenditure requirement of the SFOV.