



# Singapore's Variable Capital Company

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# Singapore Fund Framework Today



**There are no separate regime and corporate structures specifically for investment funds in Singapore today.**

## Legislation and Regulations

- Securities and Futures Act allows funds to be:
  1. Authorised (Retail Investors)
  2. Restricted (Accredited Investors)
  3. Exempted (E.g. Small offers, private placements)
- Code on Collective Investment Schemes (CIS Code)

## Common Fund Structures

- Private limited companies ('Pte Ltd') under Companies Act
- Unit trusts
- Limited partnership (LP)

# Why VCC?



**VCC complements existing fund structures while addressing some of their key limitations.**

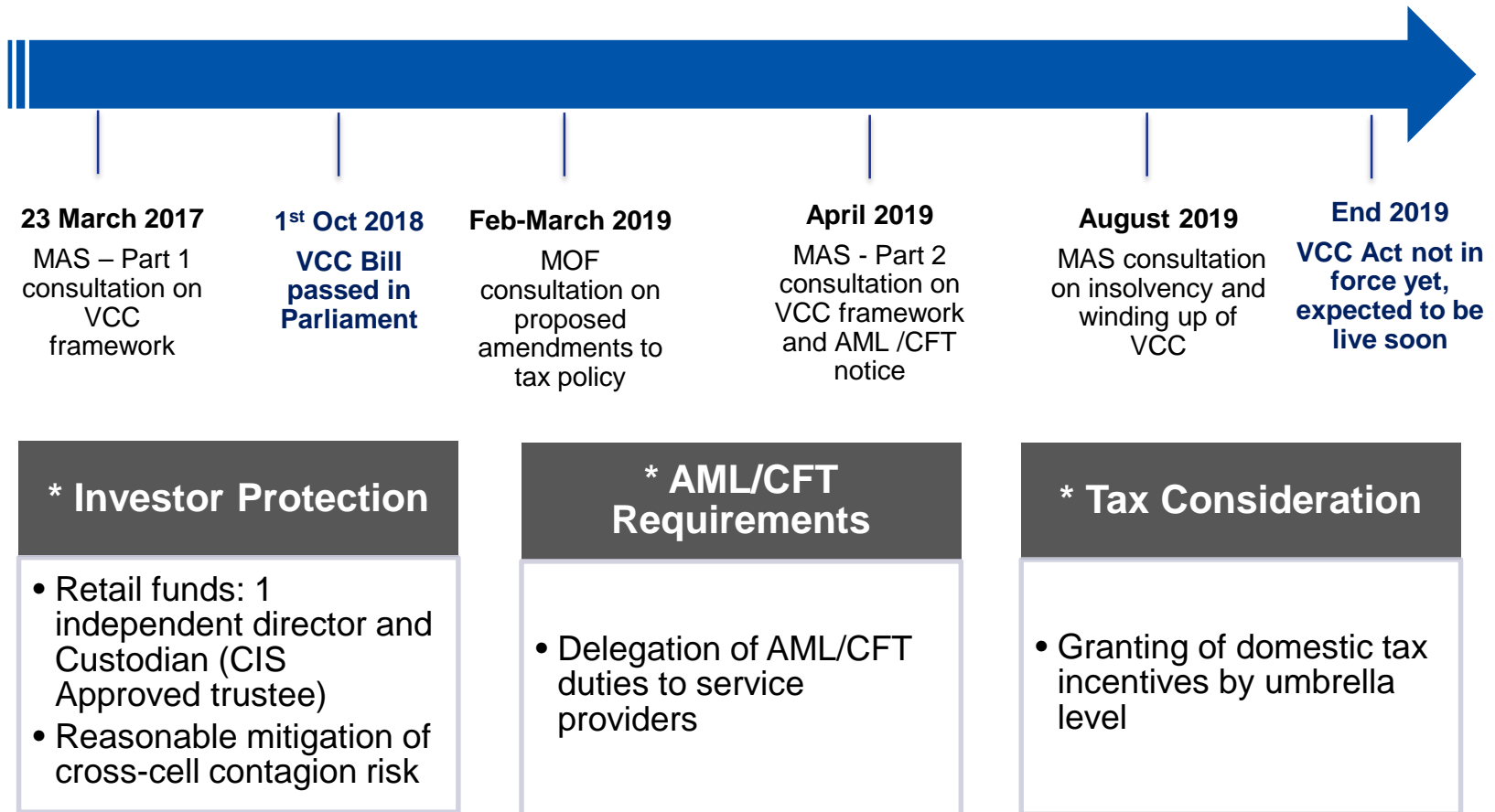
**For example, in comparison with private limited companies, unit trusts and limited partnerships:**

- Dividends distributed out of profits only
- Shareholders' information disclosed to public
- Fixed capital restrict redemption
- Solvency tests required prior to repayment of capital
- No access to tax treaties

# Development of VCC



Between 2017 – 2019, there were 5 consultations and various industry discussions.



\* The above mentioned were proposed by MAS and Ministry of Finance in the consultation papers and have yet to be finalised.

# VCC – Open Items



## Conversion

- No conversion regime for existing fund structures to become VCC

## Scope

- Excludes insurance, family offices etc.

# Key Features of VCC



- New **corporate body** governed under the Variable Capital Company Act, separate from Companies Act
- Administered by ACRA (Accounting and Corporate Regulatory Authority)
- Regulated by MAS
- Capital = Net assets
- Can issue both shares and debentures

# VCC can be used for all types of investment funds



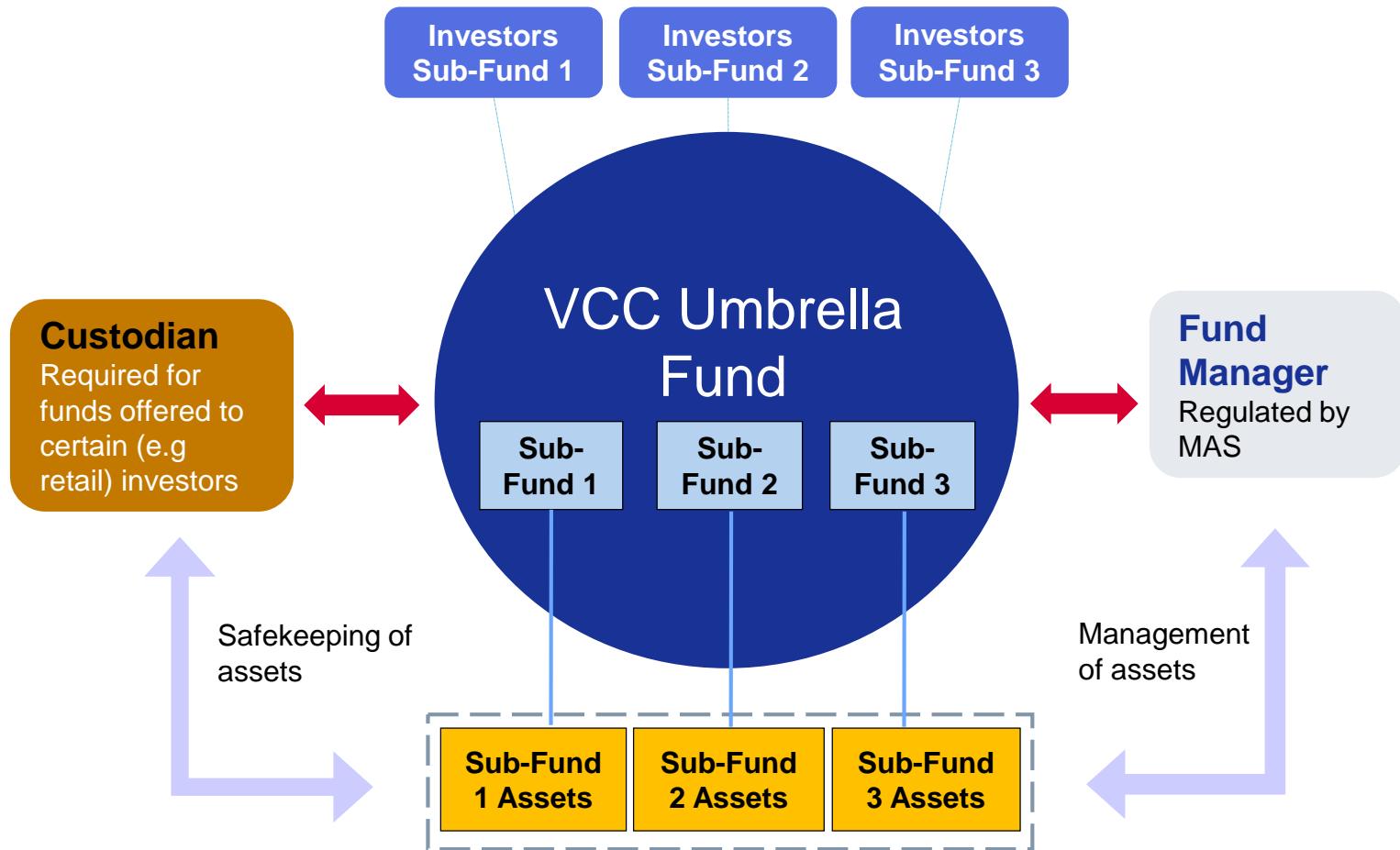
	Authorized (Retail investors)	Restricted (Accredited investors)	Exempt
<b>Mutual Funds</b>	Unit Trust <b>VCC</b>	Unit Trust <b>VCC</b>	Unit Trust <b>VCC</b>
<b>Hedge Funds</b>	N.A.	Unit Trust LP Pte Ltd <b>VCC</b>	Unit Trust LP Pte Ltd <b>VCC</b>
<b>Private Equity &amp; Real Estate Funds</b>	N.A.	LP Pte Ltd <b>VCC</b>	LP Pte Ltd <b>VCC</b>

\* Source: PWC, The Singapore Variable Capital Companies (VCC) At a glance



# VCC can be a stand-alone or umbrella fund

- Tax residence recognized at umbrella level
- Sub-funds share the same director and service providers
- Segregation of assets and liabilities of sub-funds



\* Source: MAS - Note by Second Minister for Finance and Education, Indraneel Rajah S.C. on the Variable Capital Companies Bill, Oct 2018





# Sub-fund Attributes

## Sub-funds...

- Required to register with ACRA
- Do not have legal capacity to enter into agreements
- Can be open-ended or close-ended funds in an umbrella fund
- Wound up as if it were a separate legal person

# Comparison of VCC With Existing Fund Structures



	VCC	Private Limited Company	Unit Trust	Limited Partnership
<b>Flexible capital</b>	✓	✗	✓	✓
<b>Access to Tax Treaties</b>	✓	✓	✗	✗
<b>Statutory provision to segregate sub funds assets and liabilities</b>	✓	✗	✗	✗
<b>Investor privacy (not disclosed to public)</b>	✓	✗	✓	✓
<b>Ability to share service providers</b>	✓	✗	✓	✓

# The Next Steps



- **Market interest in VCC**
- **Potential convergence with ARFP**
- **Local fund administrator requirement for domestic tax incentives enhances Singapore as a fund hub**



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