

# Unlocking Opportunities: Variable Capital Companies

## OVERVIEW

The Variable Capital Companies (VCCs) framework is an innovative and flexible investment fund structure that has gained prominence in the global financial landscape. Introduced in 2020 to facilitate the establishment and operation of investment funds, VCCs provide a versatile framework for both traditional and alternative investment strategies. Touted as a revolutionary breakthrough in the fund management world, VCCs have transformed the way funds are structured and managed, providing a new paradigm for unparalleled versatility and operational efficiencies. As of October 2022, more than 660 VCCs, representing over 1,300 sub-funds, have been established.

## Key Features



### Structure & Set Up

- Can be set up as a standalone VCC or an umbrella VCC with multiple sub-funds
- Can be used for both open-ended and close-ended strategies, across traditional and alternatives asset classes



### Privacy & Protection

- Constitution, financial statement and shareholder register are not made public
- Assets and liabilities are segregated and ringfenced to prevent commingling and cross contamination



### Issuance & Redemption

- Bypasses the need for shareholder's approval and solvency tests for issuance and redemption of shares
- Lowers administrative costs and enhances efficiency



### Flexibility in Distribution

- Value of paid-up share capital is at all times equal to the net asset value of the VCC
- Dividends can be paid out of both capital and/or profits



### Taxation

- Access to Singapore's extensive tax treaties and tax incentive schemes (130/13U)
- Can avail itself of the US "check-the-box" election



### Re-domiciliation

- Foreign corporate fund structures can be inward re-domiciled to Singapore as a VCC efficiently

## STRUCTURE & REQUIREMENTS

There are two key types of VCC schemes:

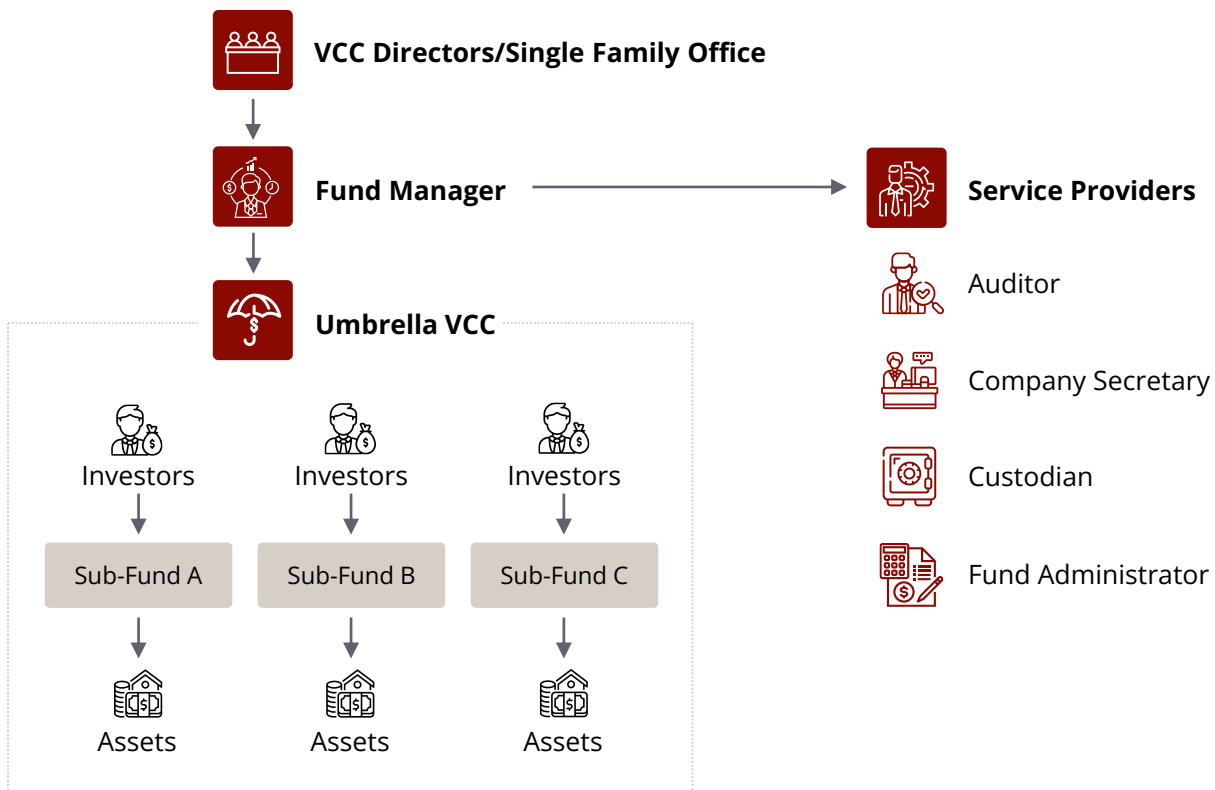
### Authorised Scheme

Collective investment scheme authorised by MAS to be offered in Singapore to retail investors

### Restricted Scheme

Collective investment scheme notified to MAS to be offered in Singapore to accredited investors

## Illustrative Structure



## Service Provider Requirements under Restricted Scheme:

### VCC Directors

- At least 1 who is ordinarily resident in Singapore and 1 who is a qualified representative or the director of the VCC's fund manager
- Can be the same person

### Fund Manager

- Singapore based
- Capital Markets Services licensed or a Registered Fund Management Company or certain financial institutions exempted under SFA

### Auditor

- Must appoint within 3 months of incorporation
- Financial statements must be prepared as per IFRS, Singapore FRS or US GAAP

### Company Secretary

- Must appoint within 6 months from incorporation
- A natural person and ordinarily resident in Singapore







### Custodian

- Must maintain assets with a prescribed entity, unless the VCC is a private equity or venture capital fund

### Fund Administrator

- Not required to appoint Singapore based, but it is a criteria under the tax incentives schemes

## INCORPORATING A NEW VCC

Step	Indicative Timeline	Key Parties Involved
 <p><b>VCC Name</b></p> <ul style="list-style-type: none"> <li>• Register VCC name to be reserved and reviewed by ACRA</li> <li>• Indicate type of VCC</li> <li>• Provide details of proposed director and VCC officers</li> <li>• After the name application is approved, it will be reserved for 120 days</li> </ul>	<p>3 days <i>(may take 14-60 days if application needs to be referred to another agency)</i></p>	<ul style="list-style-type: none"> <li>• Fund manager</li> </ul>
 <p><b>VCC Constitution</b></p> <ul style="list-style-type: none"> <li>• Describe the key characteristics of the VCC</li> <li>• Contains the rules and regulations for its governance</li> <li>• Describe how its operations will be carried out</li> <li>• State the rights and responsibilities of the directors, shareholders and company secretary</li> </ul>	<p>Up to 1 month</p>	<ul style="list-style-type: none"> <li>• Fund manager</li> <li>• Legal advisor</li> </ul>
 <p><b>Incorporation</b></p> <ul style="list-style-type: none"> <li>• Provide details of proposed director and VCC officers, permissible fund manager and subscribers</li> <li>• Indicate type of VCC</li> <li>• Provide registered office address and opening hours</li> <li>• Provide copy of constitution</li> <li>• Provide Financial Year End (FYE)</li> </ul>	<p>3 days <i>(may take 14-60 days if application needs to be referred to another agency)</i></p>	<ul style="list-style-type: none"> <li>• Fund Manager</li> </ul>
 <p><b>Bank Account and Service Providers</b></p> <ul style="list-style-type: none"> <li>• Open bank account and custody account</li> <li>• Formalise service agreements</li> </ul>	<p>1-2 months <i>(can be done simultaneously)</i></p>	<ul style="list-style-type: none"> <li>• Fund manager</li> <li>• Custodian</li> <li>• Fund Administrator</li> </ul>
 <p><b>Sub-Funds</b></p> <ul style="list-style-type: none"> <li>• Provide proposed name and date of formation of sub-fund</li> </ul>	<p>Up to 3 days if it is referred to MAS <i>(can be done simultaneously)</i></p>	<ul style="list-style-type: none"> <li>• Fund manager</li> </ul>
 <p><b>Fund Documentation and Offering</b></p> <ul style="list-style-type: none"> <li>• Finalise fund's offering documents, including the prospectus, private placement memorandum, board resolution and subscription agreements</li> <li>• Ensure compliance with applicable laws and regulations</li> </ul>	<p>1-3 months <i>(can be done simultaneously)</i></p>	<ul style="list-style-type: none"> <li>• Fund manager</li> <li>• Legal advisor</li> </ul>

SingAlliance will manage the end-to-end process

## EXTENDED VCC GRANT SCHEME



### Validity Period

16 January 2023 to 15 January 2025



### Applicant Eligibility

- **First time Qualifying Fund Managers** that have not previously incorporated a VCC or successfully re-domiciled a foreign corporate entity as a VCC
- Must not have previously applied for the VCC Grant Scheme



### Grant Eligibility

- Qualifying Fund Managers that have incorporated a VCC or successfully re-domiciled a foreign corporate entity as a VCC for the first time
- **Have obtained a Notice of Incorporation or Notice of Transfer of Registration** from ACRA which specifies a date between 16 January 2023 and 15 January 2025

Additional conditions apply, please refer to: <https://www.mas.gov.sg/schemes-and-initiatives/variable-capital-companies-grant-scheme>



### Funding

**30% co-funding** of qualifying expenses, **capped at S\$30,000** per VCC

- Legal services
- Tax services
- Administration or regulatory compliance services



### Minimum Operational Period

- Required to remain operational for **at least one year** from the registration date
- MAS reserves the right to claw back the grant awarded if the VCC is wound up within the first year

## VCC 2.0

MAS is planning to introduce enhancements to the VCC structure, known as VCC2.0. This is in response to feedback from the industry and to ensure that the VCC remains adaptable to the evolving needs of fund managers and investors in dynamic markets.

Some proposed features to look forward to include:



Amending existing legislation to allow fund managers to **convert their existing funds, currently structured as companies or unit trusts**, into VCCs



**Expanding the scope of fund managers** eligible to use the VCC structure, potentially including specific classes and license exempt managers such as single-family offices



## UNLEASH THE POTENTIAL OF VCC WITH SINGALLIANCE

VCCs offer a compelling opportunity for fund managers and investors alike. Supported by a robust government framework, the VCC structure is rapidly gaining traction, positioning itself as an increasingly popular fund structure in the investment landscape. SingAlliance is an independent wealth manager with a global presence in Singapore, Geneva, Hong Kong and Dubai. As a CMS-licensed fund manager, SingAlliance is your trusted partner in setting up and managing your VCC. Leveraging our expertise and extensive network of service providers, we ensure a seamless journey as you tap into the full potential of VCCs, empowering you to navigate the evolving financial landscape with confidence.

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