VARIABLE CAPITAL COMPANY

Natarajan & Swaminathan Chartered Accountants of Singapore



ZOOM TALK ON 25 SEPTEMBER 2020

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For discussion only

Introduction

This is a presentation on Singapore's Variable Capital Company("VCC") and is general in nature.

- VCC is used as an "investment vehicle" for the purpose of wealth management or investment management activities in Singapore.
- > It can be used for both, as open ended or close ended fund structure.
- > It is a legal entity that can hold one or more listed investments as well as unlisted investments.
- VCC is a corporate entity which is established in Singapore under the Variable Capital Companies Act 2018 ("VCC Act").
- The approval for incorporating a VCC as well as registration of its sub funds (if any), is granted by the ACRA upon meeting prescribed requirements under the VCC Act and regulations thereto.
- > VCC shall be managed by a Permissible Manager in Singapore

Presentation Outline

- 1. What is VCC?
- 2. VCC Team
- 3. Advantages and benefits
- 4. Primary conditions and criteria
- 5. Points for discussion

What is VCC?

- 1) "VCC" stands for Variable Capital Company, a fund entity in Singapore having a corporate form.
- VCC is a type of legal entity to hold asset and investments for the purpose of engaging in wealth management activities.
- 3) VCC can sue and be used in its own name.
- 4) VCC has to be managed by a licenced wealth manager like EWM or a manager who is otherwise permitted by the Monetary Authority of Singapore .
- 5) Introduction of VCC regime is an effort of Singapore Government to enable domiciliation of both fund and its Manager in Singapore.
- 6) Subject to meeting prescribed conditions, VCC can avail various incentives and benefits in Singapore, including tax exemptions.

VCC Team



Advantages and benefits

- 1) VCC's flexibility to issue and redeem its shares, with operational ease.
- 2) Confidentiality- VCC's Constitution, Annual Return filings, Register of Shareholders are NOT available to public/3rd parties.
- 3) Can pay dividends out of capital, which gives flexibility to Managers to meet such obligations
- 4) VCC's capital is accounted on a fair value basis and its NAV = paid up share capital at all times.
- 5) VCC's capital structure will have, Management Shares carrying voting rights (no dividend rights); and Participating Shares carrying NO voting rights (redeemable, eligible for dividends- as and when declared)
- 6) Provides continuity, since VCC is a corporate entity (unlike a non corporate investment vehicles)
- 7) Tax/financial incentives are available, subject to meeting specified requirements
- 8) VCC can obtain Certificate of Residence (COR) from IRAS, in its own name, unlike a unit trust.
- 9) VCC, if structured well, it can be used as a legal entity for inter-generational wealth transfer.

Primary conditions and criteria

- 1) VCC Sponsor and its directors shall be "fit and proper"
- 2) VCC is essentially established in Singapore under the VCC Act and regulations thereto.
- 3) Submission of prescribed application and requisite declarations are made to ACRA, for seeking incorporation of the VCC
- 4) Assets and Liabilities of each sub fund are to be segregated, accounted for separately, ring fenced and accounted for at fair value.
- 5) Mandatory appointment of Director(s), VCC Manager, Company Secretary and Auditor.
- 6) Custodian appointment becomes essential when the VCC is investing in listed, traded or quoted securities.
- 7) AML and CFT guidelines of MAS are applicable to VCC.
- Appropriate governance framework should be created for the day to day operations of the VCC. This is critical for both VCC Sponsor and VCC Manager.

Points for discussion

- 1) VCC and its growth potential
- 2) Who may set up a VCC in Singapore?
- 3) SGX Listing of first retail VCC- 21 September 2020
- 4) 123 VCCs as on 11 September 2020- many in the pipeline & numbers growing
- 5) Queries from Moderator
- 6) Queries from attendees



Thank you

Moderator:

Mr R Narayanamohan, FCA Senior Partner Natarajan & Swaminathan Chartered Accountants, Singapore <u>https://nsca.pro/</u>

Presented by:

Mr Benoy Philip, CA Singapore & SID member

Disclaimer:

This is a general presentation on VCC and the details provided herein are for general information only. Accordingly, details contained in this presentation material should not be construed as professional advice.

The parameters and requirements of a VCC is mostly reflected in its structuring and will differ from case to case. There are multiple parameters that will have a bearing on the structure and operational specifications of a VCC.

The main purpose of this presentation is to promote the use of VCC as a investment vehicle by fund managers, wealth managers, private banks, ultra HNIs, single family office, multifamily office, venture capital managers, asset allocators and any other person who may become VCC Sponsor.