

# **SINGAPORE'S VARIABLE CAPITAL COMPANY (VCC)**

## **BACKGROUND NOTE**

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

Singapore's VCC is used as an "***investment fund vehicle***" for both, open ended and close ended fund structures.

VCC is a corporate entity which is established in Singapore under the Variable Capital Companies Act 2018 ("***VCC Act***"). It is an ***investment vehicle*** or ***investment entity*** with corporate identity,

The approval for incorporating or registering a VCC is granted by the ACRA, upon the applicant meeting prescribed requirements under the VCC Act and regulations thereto.

VCC being as asset and investment holding entity, is used for investment management and wealth management activities.

VCC is required to appoint a Singapore based licenced/registered Fund Management Company as its Manager.

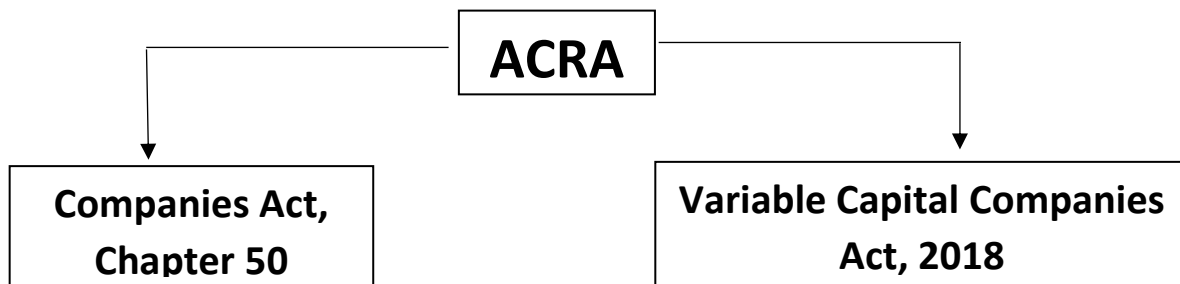
It is established in Singapore by parties such as fund managers, private banks, wealth managers, ultra HNIs, Single Family Offices, Insurance Companies and Asset Allocators

On 15<sup>th</sup> January 2020 there were 20 VCCs in Singapore, which came through the VCC pilot programme. The number of VCCs as of 15 July 2021 is 330

## **1. WHAT IS A VCC?**

1. As highlighted, "**VCC**" stands for Variable Capital Company.
2. VCC is a type of "company" to hold asset and investment for carrying out investment management and wealth management activities.
3. VCC has to be managed by a licenced manager or a registered manager or a manager who is exempted or approved by Monetary Authority of Singapore (MAS) from the requirements of holding fund management licence.
4. Tax incentives are available in Singapore for VCCs (example: Sec 13R, Sec 13X, Sec 13H)
5. VCC regime is an effort of Singapore Government to enable domiciliation of investment and asset holding entity in Singapore, through a corporate entity having variable capital structure.
6. Standalone VCC versus Umbrella VCC - will define the structure being a single fund entity or a multiple fund entity.

## 2. WHY A VCC IS REQUIRED



No	Parameters	Singapore Private Co	Singapore VCC
1	Established through	Companies Act, Chap 50 (Entity Regulator ACRA)	Variable Companies Act, 2018 (Entity Regulator ACRA)
2	Securities for issuance	Usually, Equity Shares with voting rights (fixed capital)	Shares, with voting rights and non-voting rights (variable capital)
3	Minimum Capital	One share	One share
4.	Valuation basis	Computed on fair value basis and reflected for diminution in value	Computed on fair value basis and paid-up capital equates its NAV
5	Continuity in law	Perpetual succession and wound up as per Companies Act	Perpetual succession and wound up as per VCC Act
6	Day to Day management	By the Board	By the Board (administratively)/Investment Management is handled by appointed Manager (Licensed or Registered)

## 3. ADVANTAGES AND BENEFITS OF ESTABLISHING A VCC

1. VCC is specifically created for wealth management and investment management activities.
2. It provides flexibility to issue and redeem its shares, with operational ease.
3. VCC can pay dividends out of capital, which gives flexibility to Fund Managers to meet such obligations.
4. VCC's capital is flexible (unlike a private limited company having fixed capital)
  - Management Shares carrying voting rights (no dividend rights); and
  - Participating Shares carrying NO voting rights (redeemable, eligible for dividends, upon declaration and other economic benefits)
5. Provides continuity, since VCC is a corporate entity (unlike a non-corporate investment vehicle)
6. Tax/financial incentives are available, subject to meeting requirements (Sec 13R, Sec 13X, Sec 13H)
7. Confidentiality – VCC's Constitution document, Annual filings, Register of Shareholders of a VCC is not available to public or 3<sup>rd</sup> parties.
8. VCC can obtain Certificate of Residence (COR) from IRAS, in its own name, unlike a unit trust fund.
9. VCC, if structured well, it can be used as a legal entity for inter-generation wealth transfer.

## **4. PRIMARY CONDITIONS AND CRITERIA IN SETTING UP A VCC**

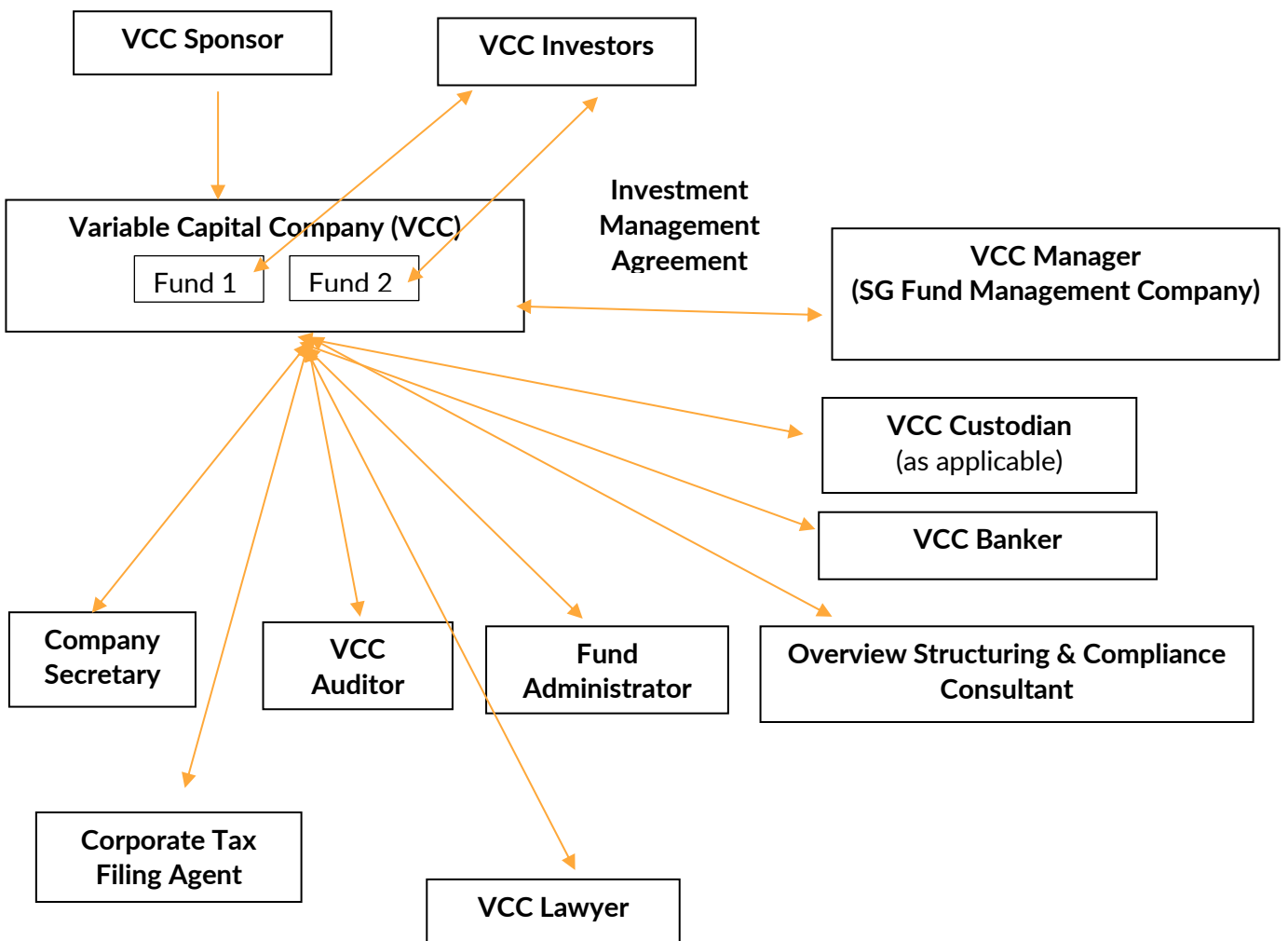
- 1) VCC has to be established in Singapore under the VCC Act and Regulations thereto.
- 2) Submission of prescribed application and requisite declarations are made to ACRA, for incorporation of the VCC
- 3) VCC's capital will be variable in nature, resulting in paid capital equals NAV, at a given point in time.
- 4) Assets and Liabilities of each sub fund has 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) Necessary to appoint a fund administrator to perform fund accounting, NAV computation and as appropriate to carry out registrar and transfer agency services.
- 7) Custodian appointment becomes essential when the VCC is investing in listed, traded or quoted securities.
- 8) AML and CFT guidelines of MAS are applicable to VCC.
- 9) 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)

### **5a. PARTIES ASSOCIATED WITH A VCC**

<b>No</b>	<b>Particulars</b>	<b>Remarks</b>
1.	Sponsor/Management Shareholders	One who initiates the setting up of the VCC as an investment vehicle. This can be the Manager, Asset Allocator, Single Family Office, Private Bank, Ultra HNI or a business family
2.	Directors	Appointed by the VCC, to manage its day-to-day affairs. Investment Management functions to be handled by the named Manager or a delegated manager thereto.
3.	Manager (In Singapore)	Manager based in Singapore and named in its Constitution. The VCC may additionally appoint Investment Managers or Advisers, as may be required
4.	Company Secretary	Singapore Corporate Secretary appointed by VCC.
5.	Legal Counsel	Legal Counsel in Singapore (and elsewhere based on its functional requirements), for legal advice and drafting of legal agreements.
6.	Tax Adviser	Tax Adviser in Singapore (and elsewhere based on its functional requirements), Tax agent in Singapore
7.	Custodian	Custodian in Singapore (for listed, traded or quoted securities)
8.	Brokering House	For securities trading and settlement arrangements (based on business model)
9.	Fund Administrator	To carry out <ul style="list-style-type: none"> <li>- NAV computation and fund accounting; (Valuation done by external Approved Valuer)</li> <li>- Registrar &amp; Transfer Agency services (as applicable)</li> </ul>
10.	Auditor	Statutory auditor to carry out annual audits.
11.	Project Consultant	To scope the work of various professionals' parties, aggregate the advice, manage the documentation involved and achieve overall time and cost efficiency.

## 5b. PARTIES ASSOCIATED WITH A VCC

### VCC Team



## **6. GENERAL POINTS FOR DISCUSSION**

1. How to structure a VCC?

It depends on several parameters and is a case specific matter. Accordingly cost parameters will vary.

2. Timeline for VCC set up:

Step 1: Name approval

Step 2: Incorporation of VCC

Step 3: Registration of one or more sub-fund(s) of the VCC

3. NS Global Consultants Pte Ltd, Singapore, the consulting arm of Natarajan & Swaminathan Chartered Accountants of Singapore, will function as the Project Manager in Singapore for setting up VCC in Singapore

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Note: The contents of this presentation is meant for discussion purpose. The information provided in this presentation is general and conceptual in nature. This presentation material is not available to be used as advice on the matter of establishing or operating a variable capital company.