



# PORTCULLIS NEWS

MCI (P) 023/06/2019

17 February 2020

## THE VARIABLE CAPITAL COMPANY (VCC)

In further effort to augment the Fund Industry in Singapore, the Monetary Authority of Singapore (MAS) and the Accounting and Corporate Regulatory Authority (ACRA) launched the Variable Capital Companies (VCC) framework on 15 January 2020.

Permissible Fund Managers<sup>1</sup> will now be able to constitute investment funds as VCCs across both traditional and alternative strategies and as open-ended or close-ended funds. Fund managers may incorporate new VCCs or re-domicile their existing investment funds with comparable structure by transferring their registration to Singapore as VCCs.

The VCC may also avail itself of the tax exemption schemes (sections S13R and S13X) available to funds managed by fund managers in Singapore under which "Specified Income" (including gains) derived by the fund from "Designated Investments" is exempt from Tax. All funds that qualify for any of the following tax exemption schemes as at 31 December 2024 (unless extended) may enjoy tax exemption for the life of the fund, subject to the funds continuing to meet the relevant conditions of each scheme.

### Key features of a VCC

- A VCC has a variable capital structure that provides flexibility in the issuance and redemption of its shares. It can also pay dividends out of capital, which gives fund managers flexibility to meet dividend payment obligations.
- A VCC can be set up as a single standalone fund or an umbrella fund with two or more sub-funds, each holding a portfolio of segregated assets and liabilities. For fund managers that structure their funds as umbrella VCCs, there may be cost efficiencies from using common service providers across the umbrella and its sub-funds.
- A VCC can be used for both open-ended and closed-end fund strategies.
- Fund managers may incorporate new VCCs or re-domicile their existing overseas investment funds with comparable structures by transferring their registration to Singapore as VCCs. More details pertaining to the VCC framework can be found at [www.mas.gov.sg](http://www.mas.gov.sg).



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### Key requirements for a VCC

- VCCs must maintain a register of shareholders, which need not be made public. However, this register must be disclosed to public authorities upon request for regulatory, supervisory and law enforcement purposes. The VCC's register must be maintained within Singapore at the VCC's registered office.
- A VCC must appoint a secretary who must be resident in Singapore.
- An auditor has to be appointed to audit the VCC's accounts on an annual basis.
- A VCC must appoint at least one director who is ordinarily resident in Singapore and at least one director (who may be the same person as the local resident director) who is a director or qualified representative of the fund manager of the VCC.
- GST is applicable at the sub-fund level of the VCC.
- MAS imposes AML/CFT requirements on VCCs. VCCs are allowed to delegate such responsibilities to financial institutions and may in turn be outsourced to other entities such as a fund administrator;

For a VCC Fund, NAV need not be calculated by an independent party. However, it should be noted that a LFMC or RFMC is expected under the Guidelines on Licensing, Registration and Conduct of Business for Fund Management Companies to ensure that assets under management are subject to independent valuation. In addition, for the VCC to avail itself of the tax exemptions under sections S13R and S13X, one of the requirements is to have a Singapore based fund administrator.

### Portcullis' Experience with the VCC structure

A group of 18 Fund Manager participated in a VCC Pilot Program initiated by MAS and ACRA last September and Portcullis is proud to have been part of this Program having been appointed as both Fund Administrator and Secretary to a VCC Fund.



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### Portcullis' Services for the VCC structure

Please do not hesitate to contact us should you wish to explore the VCC structure. Portcullis is well positioned to provide you a turn key solution which includes:

<b>Incorporation of the VCC structure</b>	<b>Fund administration</b>	<b>Serve as your Registered Filing Agent</b>	<b>CRS and FATCA tax compliance</b>
<b>Serve as your Company Secretary</b>	<b>AML /CFT services relating to investors in the fund</b>	<b>Serve as your Registered office</b>	<b>GST Remission calculation and submission</b>

For more information, please contact



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<sup>1</sup> Generally, a VCC will have to be managed by a fund manager which is a licensed fund management company (i.e. a holder of a capital markets services licence for fund management under section 86 of the Securities and Futures Act (Cap. 289)), a registered fund management company (i.e. a corporation exempted from holding a capital markets services licence under paragraph 5(1)(i) of the Second Schedule to the Securities and Futures (Licensing and Conduct of Business) Regulations) or a person exempted under the Section 99(1)(a), (b), (c), or (d) of the Securities and Futures Act (Cap. 289) from the requirement to hold a capital markets services licence to carry on business in fund management (i.e. a bank licensed under the Banking Act (Cap. 19), a merchant bank approved under the Monetary Authority of Singapore Act (Cap. 186), a finance company licensed under the Finance Companies Act (Cap. 108), or a company or cooperative society licensed under the Insurance Act (Cap. 142)).

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