

# New Vehicles for Singapore Funds

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Sanjay Iyer  
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## AGENDA

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- Current regime in Singapore
- New S-VACC Vehicle



# CURRENT REGIME IN SINGAPORE

# Current Regime in Singapore

## **Funds in Singapore are currently constituted as:**

- Unit Trusts – mostly used for open-ended Collective Investment Schemes marketed to Retail investors
- Private Limited Companies – mostly used for closed-ended funds (e.g. Private Equity funds) marketed to high net worth investors
- Limited Partnerships – rare

# Current Regime in Singapore (Cont'd)

## **Private Limited Companies are inefficient vehicles for funds:**

- Governed by Companies Act, so can be operationally cumbersome:
  - Solvency requirements need to be met before capital redemption
  - Dividends cannot be paid from capital
  - Issuance of new units can be an involved process
- Fund needs to be carefully structured to avoid investors' being treated as debt investors (which can have tax implications for investors)



# NEW S-VACC VEHICLE

# Singapore Variable Capital Company (“S-VACC”)

## A new corporate structure for CIS

- MAS has proposed to set up a new vehicle, S-VACC, to be used for funds.
- The new development is targeted at increasing Singapore’s competitiveness as the location of choice for both fund management and fund domiciliation. The intention is to avoid the need to use private limited companies.
- Under the S-VACC framework, the fund will be allowed to freely redeem shares at the fund’s Net Asset Value (except for listed closed-end funds) and to pay dividends from capital



# Singapore Variable Capital Company (“S-VACC”) (Cont’d)

- There will be no requirement to disclose financial statements or shareholder registers (under existing companies, this is often required)
- An S-VACC must be managed by a Permissible Fund Manager (which will likely disqualify Single Family Offices)
- However, an approved custodian must be appointed for the S-VACC (The Approved Custodian has to be an Approved Trustee)
- Inward re-domiciliation of foreign structures will be possible under certain conditions





# Singapore Variable Capital Company ("S-VACC") (Cont'd)

## Availability of Umbrella Fund Structure for Economies of Scale

- MAS also proposes to allow S-VACCs to use a cellular structure where an S-VACC is a single legal entity, with its sub-funds operating as separate cells. Each sub-fund can have different investment objectives and investors.
- Lower cost and operational efficiency may be achieved as multiple sub-funds may share a board of directors, service providers, general meetings and preparation of prospectuses may be conducted for entire umbrella fund.



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# Contact Us



## Shanker Iyer

Email shanker@iyerpractice.com 160 Robinson Road #17-01  
Phone +65 6532 5746 SBF Center  
Mobile +65 9760 6488 Singapore 068914

## Sunil Iyer

Email sunil@iyerpractice.com 160 Robinson Road #17-01  
Phone +65 6532 5746 SBF Center  
Mobile +65 9699 0961 Singapore 068914

## Sanjay Iyer

Email sanjay@iyerpractice.com Unit 29E, 29/F Admiralty Centre Tower 1  
Phone +852 2529 9952 18 Harcourt Road, Admiralty  
Mobile +852 9355 3495 Hong Kong

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