

Venture Capital Fund Management Regime ("VCFM Regime")

A Simplified Regulatory Regime
for Managers of Venture Capital
Funds

March 2018

Background

Previous regulatory treatment of VC managers

- Previously, managers of venture capital funds (“VC managers”) in Singapore were required to be either a Registered Fund Management Company (“RFMC”) or a Licensed Fund Management Company (“LFMC”). They were required to meet initial and ongoing requirements
- The Monetary Authority of Singapore (“MAS”) did not differentiate between VC managers and other fund managers

New regulatory treatment of VC managers

- In line with the rapid development of the VC funds in Singapore and as part of the broader national effort to promote the growth of start-up eco-system, MAS initiated an assessment on the current regime for VC managers
- Following the assessment, MAS recognised the lower risks posed by VC managers given their business model and sophisticated investor base
- On 20 October 2017, MAS announced a simplified regulatory regime - the Venture Capital Fund Manager Regime (“VCFM Regime”) for VC managers. The new regulatory regime will simplify and shorten the authorisation process and relieve VC managers of capital requirements and some of the business conduct rules that currently apply to other fund managers

Fund Eligibility Criteria

VC managers who intend to operate under the VCFM Regime have to meet the fund eligibility criteria as follow:

Investment of funds

- Invest at least 80% of committed capital in securities directly issued by unlisted business ventures that are no more than 10 year old at time of initial investment
- Invest up to 20% of committed capital in other unlisted business ventures

Investors

- The funds are only offered to accredited investors and/or institutional investors as defined under the Securities and Futures Act (“SFA”) or equivalent under the laws of the country where the offer is made

Type of funds

- Must be in the form of closed-end funds, which must not be continuously available for subscription and not redeemable at investors’ discretion

VC managers should perform an assessment based on the above criteria prior to their application to be a licensed fund manager under the VCFM Regime.

Ongoing Requirements

Further, VC managers operating under the VCFM Regime are required to always meet the following requirements:

Area	Key requirements
Place of Incorporation	<ul style="list-style-type: none"> • Be a Singapore incorporated company • Have a permanent physical office in Singapore
Key Personnel	<ul style="list-style-type: none"> • At least 2 directors (1 must be full-time & resident in Singapore) • At least 2 resident professionals and representatives (may include the directors).
Fit & Proper	<ul style="list-style-type: none"> • The Company and its shareholders, key personnel and employees must comply with the Guidelines on Fit & Proper Criteria
Disclosure to Investors	<ul style="list-style-type: none"> • Disclose that the Company is not subject to all regulatory requirements like other fund managers
AML/CFT Policies & Procedures	<ul style="list-style-type: none"> • Put in place policies and procedures in line with AML/CFT rules and regulations
Conflicts of Interests	<ul style="list-style-type: none"> • Avoid and resolve any conflicts of interests fairly and equitably
Regulatory Returns	<ul style="list-style-type: none"> • Submit Annual Declarations for VCFMs • Quarterly submission of Statement of Income and Expenditure • Notify MAS of changes of the Company's particulars
Outsourcing, Technology Risk Management, Business Continuity Management	<ul style="list-style-type: none"> • The Company should put in place policies and procedures, giving due consideration to the scale, complexity and risks posed by its business model and operations.

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