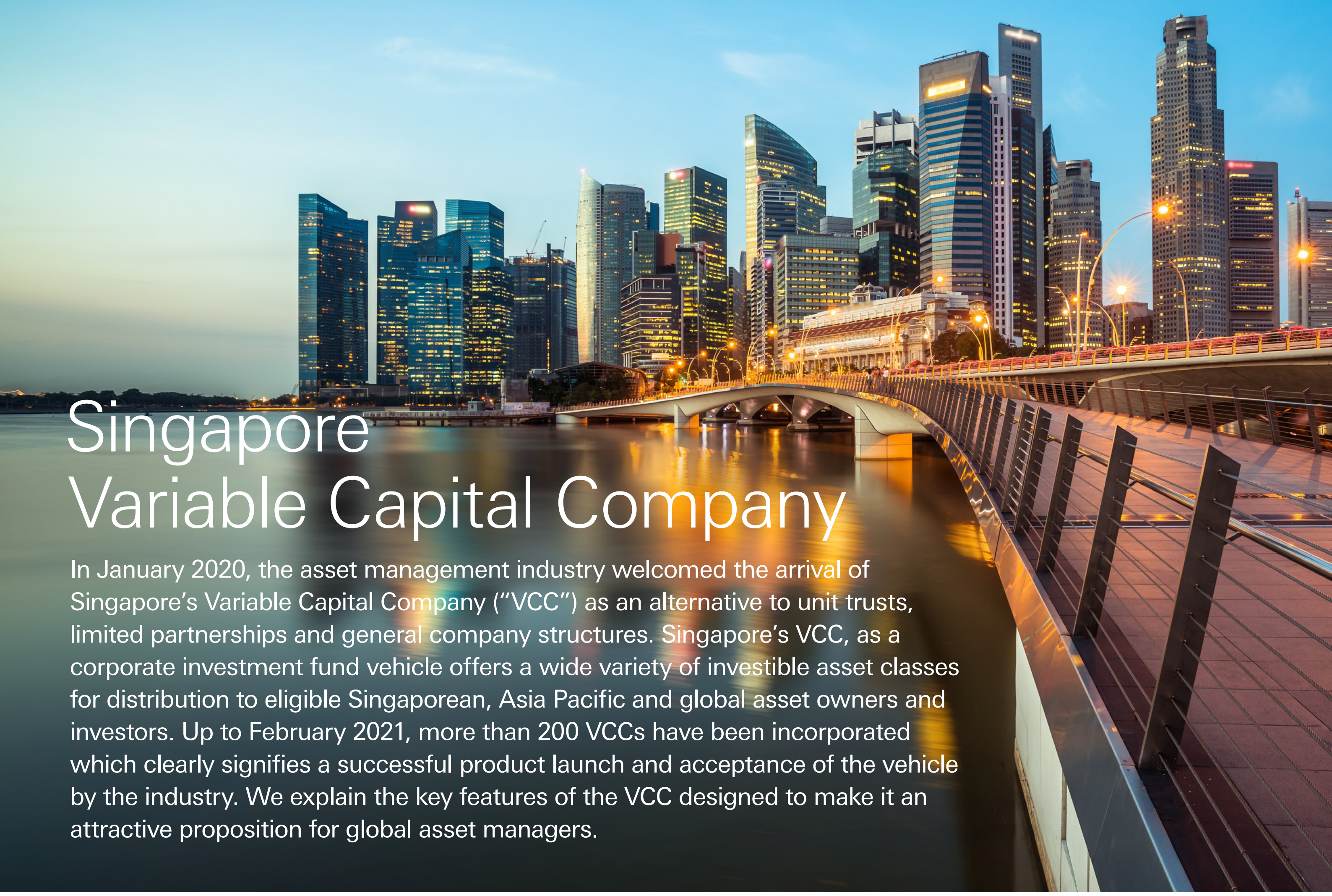

Singapore Variable Capital Company

In January 2020, the asset management industry welcomed the arrival of Singapore's Variable Capital Company ("VCC") as an alternative to unit trusts, limited partnerships and general company structures. Singapore's VCC, as a corporate investment fund vehicle offers a wide variety of investible asset classes for distribution to eligible Singaporean, Asia Pacific and global asset owners and investors. Up to February 2021, more than 200 VCCs have been incorporated which clearly signifies a successful product launch and acceptance of the vehicle by the industry. We explain the key features of the VCC designed to make it an attractive proposition for global asset managers.

Key features

Fund Setup

Can be set up as a stand-alone VCC or umbrella VCC with sub-funds. Both open-ended and closed-ended funds can use the structure. Opportunities for the private equity or venture capital industry, hedge funds and family offices to simplify structures

Structure

VCC adopts a variable capital structure, providing flexibility in the issuance and redemption of its shares. Can pay dividends out of capital, providing flexibility to meet dividend payment obligations

Investor Protection & Privacy

Corporate governance requirements and ring fencing provisions for sub-funds. Register of shareholders need not be made public

Re-domiciliation

Inward re-domiciliation of foreign investment funds extended to VCCs

Taxation

Availability of Singapore fund tax incentives. The Inland Revenue Authority of Singapore will issue certificate of resident status (CORs) for tax resident VCC, enabling access to Singapore extensive tax treaty networks. VCCs can make an election under the US "check the box" rules – allows treatment as a "pass-through" entity for US tax purposes

HSBC

Why **VCC**?

Distribution

VCC can be used to distribute not only to Singapore retail and professional investors, but also be used as a pooling vehicle targeted at investors across Asia. It can also be targeted for usage under the ASEAN Collective Investment Scheme (ASEAN CIS) or the Asia Region Funds Passport (ARFP) scheme as and when Singapore agrees to join it

Product Range

Flexible structure caters to a wide variety of use cases ranging from

equity, fixed income, ETF, alternatives, hedge funds, fund of funds, private equity to real estate

Future Proofed

The VCC was designed with international investors in mind. The practices in other leading fund jurisdictions including Luxembourg, the Republic of Ireland and the United Kingdom were considered. The VCC is further underpinned by the excellent reputation and ecosystem of Singapore as in an international financial services centre

Time Zone

The scheme is designed to be

operated in APAC

with regulators and key service providers **in the same time zone,** it creates efficiency and savings for fund managers

VCC 2.0 – Considerations for future developments based on feedback from the industry

- Amending existing legislation to allow fund managers to convert existing funds structured as companies or unit trusts to VCCs
- Widening scope of fund managers allowed to use the VCC structure, such as single family offices
- Widening use cases for VCCs
- Flexibility in accounting for sub-funds & more privacy between sub-funds

Grant Scheme

Grant scheme from the regulator to defray 70% of qualifying expenses to set up VCC funds (capped at SGD 150K per VCC and a maximum of three VCCs per applicant)

HSBC Experience

As one of the largest service providers in Singapore, HSBC is well positioned to support clients opting for the VCC structure to launch investment products, both for authorized and restricted schemes. We have been recently appointed as the administrator and custodian for the first SGX-listed VCC ETF fund.

Contact Us

Christine Masters
Director
ASEAN Business Development
Asset Owners & Managers
Securities Services
Singapore
christine.masters@hsbc.com.sg

Ciara Houlihan
Chief Executive Office
HSBC Institutional Trust Services
(Singapore) Limited
Singapore
ciara.houlihan@hsbc.com.sg

Paul Ellis
Global Product Head Regulation & Tax
Securities Services
Ireland
paulellis@hsbc.com

Ganesh Valakati
Director
Product Development
Asset Managers Sector & Regulations
Securities Services
Hong Kong
ganeshvalakati@hsbc.com.hk