

**RESPONSE TO
FEEDBACK RECEIVED**

January 2020

**Consultation Paper on
the Proposed
Framework for Variable
Capital Companies
Part 2**

MAS

Monetary Authority of Singapore

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Defined Terms

AML/CFT	Anti-money laundering and countering the financing of terrorism
CA	Companies Act (Cap. 50) of Singapore
CIS	Collective investment scheme(s) as defined under section 2(1) of the SFA
MAS	Monetary Authority of Singapore
Registrar	Registrar of VCCs appointed under the VCC Act
Response Paper	Response to Feedback Received on the Proposed Framework for Singapore Variable Capital Companies dated 10 September 2018
Restricted Scheme	A CIS that is offered only to accredited investors and certain other persons, or offered on terms that the units may only be acquired for consideration of at least S\$200,000 (or equivalent in foreign currency) per transaction; and is exempted from authorisation or recognition and prospectus requirements, subject to the conditions under section 305(3) of the SFA
SFA	Securities and Futures Act (Cap. 289) of Singapore
SFR(CIS)	Securities and Futures (Offers of Investments) (Collective Investment Schemes) Regulations 2005
SFR(LCB)	Securities and Futures (Licensing and Conduct of Business) Regulations
VCC	Variable capital company
VCC Act	Variable Capital Companies Act (Act 44 of 2018) of Singapore

1 Preface

1.1 On 30 April 2019, MAS issued a consultation paper to seek feedback on the (i) proposed new Regulations for the VCC framework; and (ii) other consequential amendments to existing rules and Regulations, such as the SFR(CIS) and AML/CFT notice for VCCs. These Regulations and amendments mainly set out the operational details of setting up and maintaining a VCC, which is a new corporate structure that is tailored for CIS.

1.2 The consultation period closed on 30 May 2019. MAS would like to thank all respondents for their contributions. The list of respondents is in Annex A and the full submissions are provided in Annex B. The Annexes may be accessed at this [link](#).

1.3 MAS has considered carefully the feedback received on the Regulations, and will incorporate them where it has agreed with the feedback. Comments that are of wider interest, together with MAS' responses, are set out below.

1.4 MAS will be responding separately to the feedback received for the Variable Capital Companies (Revision of Defective Financial Statements, or Consolidated Financial Statements or Balance-sheet Regulations) 2020, the Variable Capital Companies (Prescribed Accounting Standards) Regulations 2020, as well as amendments to the SFR (CIS) and the Code on Collective Investment Schemes, in relation to CIS to be authorised by MAS under section 286(1) of the SFA soon.

2 Variable Capital Companies (Composition of Offences) Regulations 2020

2.1 MAS proposed to introduce a composition of offences framework for VCCs that mirrors the composition of offences framework for companies under the CA. MAS did not receive any objection to this proposal.

MAS' Response

2.2 MAS will proceed with the proposal.

3 Variable Capital Companies (Composition of Offences – Part 7) Regulations 2020

3.1 MAS proposed to allow composition of offences under Part 7 of the VCC Act where the offences are punishable with a fine only. Offences under Part 7 of the VCC Act

include those relating to prevention of money laundering and terrorism financing. MAS did not receive any objection to this proposal.

3.2 These Regulations were titled “Variable Capital Companies (Composition of Offences – Part 7) Regulations 2019” and have since been renamed “Variable Capital Companies (Composition of Offences Under Part 7) Regulations 2020”.

MAS’ Response

3.3 MAS will proceed with the proposal to introduce a composition framework for offences under part 7 of the VCC Act that are punishable with a fine only.

4 Variable Capital Companies (Fees and Late Lodgment Penalties) Regulations 2020

4.1 MAS proposed to prescribe fees for transactions relating to VCCs, including incorporation of a VCC, registration of sub-funds of an umbrella VCC and filing of annual returns. MAS also proposed to introduce a penalty framework when a person fails to file or lodge a document within the period set out in the VCC.

4.2 One respondent proposed imposing fees for lodgments relating to changes to a VCC’s directors and service providers, such as fund administrators or corporate secretaries. Another respondent suggested introducing fees for lodgments relating to changes in the VCC’s investment strategy. One respondent highlighted the need for clarity on whether there are different fees for a foreign corporate entity¹ seeking to re-domicile as an umbrella VCC. Respondents also asked which register must be maintained by the Registrar.

MAS’ Response

4.3 MAS will proceed with the proposal. MAS intends to align the types of fees charged for VCCs and companies incorporated under the CA for similar transactions. Accordingly, in line with the practice under CA, there will not be fees imposed for lodgments relating to changes to a VCC’s directors and service providers.

4.4 The Registrar is required to maintain registers of directors, managers, secretaries or auditors of a VCC. Any change to these registers must be notified to the Registrar, pursuant to section 72 of the VCC Act. This is in line with the practice for funds constituted

¹ As defined in the VCC Act.

as companies, where such information is maintained by the Registrar and no fee is payable for any change to such registers.

4.5 No fees will be charged for lodgments of changes relating to the investment strategies of VCCs or sub-funds of VCCs. This information is not required to be maintained with the Registrar. Instead, it needs only be provided to the Registrar in the annual return to be lodged by the VCC with the Registrar. A fee is imposed for the lodgment of an annual return with the Registrar.

4.6 Separately, the fees for the application for registration of a foreign corporate entity as a VCC under section 134 of the VCC Act will be applied when a foreign corporate entity seeks to transfer its registration to Singapore. Separate fees will be charged for the registration of sub-funds once the foreign corporate entity has been registered as a VCC.

5 Variable Capital Companies (Lodgment of Documents) Regulations 2020

5.1 MAS proposed to introduce Regulations to govern the procedure for the filing of documents by a VCC. This procedure largely mirrors the procedure for companies under the CA, with modifications to cater to the unique features of VCCs.

5.2 These Regulations were titled “Variable Capital Companies (Filing of Documents) Regulations 2019” and have since been renamed “Variable Capital Companies (Lodgment of Documents) Regulations 2020” following the wording in section 165(2)(b) of the VCC Act.

Registration of sub-funds

5.3 Most respondents agreed with the proposed Regulations, but suggested requiring the submission of additional confirmations and information in relation to the registration of a sub-fund. Respondents also sought clarification on the process for registering a sub-fund after its formation and, in particular, whether registration impacts the formation of a sub-fund, and when a sub-fund is deemed as validly constituted.

5.4 In that regard, respondents also suggested including the date of formation of a sub-fund in the application form for registration of a sub-fund. Respondents also asked if an updated constitution would need to be submitted upon registration of a sub-fund.

MAS' Response

5.5 MAS has considered the feedback in relation to additional confirmations or information required in relation to the registration of a sub-fund, and where appropriate has amended the forms to incorporate the feedback.

5.6 A field for applicants to indicate the date of formation of a sub-fund has been included in the applicable electronic form for registration of sub-funds. MAS would like to highlight that as stated in section 27(4) of the VCC Act, once the Registrar registers the sub-fund, it will issue a notice of registration to the umbrella VCC. The date of registration of the sub-fund will be included in the notice of registration of a sub-fund. A sub-fund is validly constituted depending on when it is formed, in accordance with its constitutional documents and other applicable laws.

5.7 It is not necessary to submit an updated constitution to the Registrar when registering a sub-fund, so long as the constitution of the umbrella VCC states, in accordance with section 19(4)(h) of the VCC Act that the VCC consists of, or is to consist of, two or more collective investment schemes.

5.8 MAS would also highlight that section 20 of the VCC Act states that an alteration of the constitution of a VCC for the purpose of forming or varying a sub-fund does not require a resolution of the members, provided the constitution provides that the directors of the VCC may make such alteration without the approval of the members of the VCC. Section 20 of the VCC Act has been amended, pursuant to the Variable Capital Companies (Miscellaneous Amendments) Act, to clarify that documentary evidence of the directors' decision to make the alteration and a copy of the constitution as altered must be lodged with the Registrar within 14 days of making such alteration.

Board and governance matters

5.9 One respondent suggested that the board of a VCC submit confirmations to the Registrar on governance matters, such as adoption of standards of governance, undertakings regarding the segregation of assets and liabilities of sub-funds and mechanisms to address potential conflicts of interests. Another respondent also suggested that including confirmations by key service providers of a VCC (such as auditor, fund administrator and legal counsel) to act for the VCC be submitted to the Registrar.

5.9.1 A few respondents asked whether regulation 14 (now numbered as regulation 11) required a registered filing agent to provide a confirmation to the Registrar that the persons who are to be appointed as the VCC's directors have consented to act as directors and complied with the prescribed fit and proper criteria.

5.10 On the particulars to be provided in a VCC's annual return, respondents suggested the name of the VCC's fund manager, details on the number of board meetings, regulatory investigations as well as accounting standards and reporting currency of the VCC's financial statements should be included.

5.11 Respondents also sought clarification on whether a VCC's annual return would be made available to the public. One respondent suggested that a form, affidavit or statutory declaration sworn or declared for the purposes of any provision under the VCC Act or the Regulations should be made by both the VCC and its fund manager.

MAS' Response

5.12 In line with the practice for investment funds constituted as companies, limited partnerships or trusts, the board of a VCC will not be required to provide confirmations on governance matters, segregation of assets and liabilities of sub-funds and mechanisms to address potential conflicts of interests to the Registrar at the time of the incorporation of the VCC. As set out under regulation 11(2), each director that is appointed needs only provide the confirmations that he has:

- (a) consented to act as a directors of the VCC;
- (b) are not disqualified from acting as a director of a VCC; and
- (c) have filed with the Registrar a statement relating to the director's compliance with the prescribed factors in section 53(3) of the VCC Act.

5.13 A VCC is not required to engage service providers such as fund administrators or legal counsels. Accordingly, MAS will not require any confirmation from any service provider of a VCC to be submitted to the Registrar.

5.14 MAS has also amended the text in regulation 14 (now numbered as regulation 11) to make it clear that a registered filing agent is not expected to confirm the fitness and propriety of a person who is to be appointed as a director of the VCC. Rather, the intention is for the registered filing agent to submit the declarations which would have been made by the persons to be appointed as directors.

5.15 MAS has taken in feedback to specify in the Regulations that the name of the fund manager of the VCC should be included in the annual return of the VCC. MAS has not included other suggestions in the feedback in relation to the additional information to be provided in the annual return of the VCC for parity with the contents of the annual return for companies under the CA.

5.16 MAS would like to clarify that the annual return and the accompanying documents lodged with the Registrar pursuant to section 97(3) of the VCC Act will not be available to members of the public, and will not be available for purchase by members of the public through the website of the Registrar. However, the VCC Act requires that the financial statements should minimally be sent by the VCC to its shareholders.

5.17 Where the VCC Act or the Regulations require any form, affidavit or statutory declaration sworn or declared by the VCC, MAS will not require such form, affidavit or statutory declaration to be accompanied by a similar form, affidavit or statutory declaration from the fund manager of the VCC.

Miscellaneous

5.18 One respondent suggested that the Regulations should clarify the specific requirements and documents required to demonstrate an individual's ability to provide any certified translation of documents to be provided pursuant to section 159 of the VCC Act, and if so whether this would allow an individual to continue to provide certified translations for future transactions.

5.19 One respondent also sought clarification on the application process for an extension of time for the lodgement or endorsement of documents.

5.20 One respondent also suggested allowing a chargee, in addition to the chargor, to lodge variations to particulars of the chargee or the charge amount with the Registrar, and have safeguards prescribed accordingly.

MAS' Response

5.21 In response to feedback to clarify the specific requirements and documents required to demonstrate an individual's ability to undertake any translation required under the VCC Act in the case of a translation made within Singapore, the Registrar will evaluate accredited translators. As part of this evaluation, the Registrar will take into account any accreditation certificate and proof of translation projects within the last two years. Once the Registrar is satisfied with the information provided, this individual will be allowed to continue assisting with translation matters going forward. Individuals seeking to provide such certified translations of documents pursuant to section 158 of the VCC Act may write to the Registrar to confirm their eligibility to undertake translations.

5.22 When a document is filed later than the stipulated time under the VCC Act, lodgement of such document will still be permitted. However, a late lodgment penalty will

be levied. The Variable Capital Companies (Fees and Late Lodgment Penalties) Regulations 2020 sets out the penalty framework for VCCs.

5.23 When an endorsement that is required as part of a particular transaction is not made within 14 days (other than for the incorporation of a VCC), the transaction will lapse. However, even if the endorsement period lapses, the lodger may resubmit the transaction without incurring any additional fees.

5.24 For consistency with the existing practice for companies incorporated under the CA, only a VCC may lodge the applicable form with the Registrar to report any variation of the particulars of the chargee or the charge amount.

6 Variable Capital Companies (Fit and Proper) Regulations 2020

6.1 MAS proposed a set of criteria which may be taken into consideration in the determination of fitness and propriety of a VCC director. The criteria take into account the applicant's past conduct and application history as a director of a VCC or financial institution, as well as applicant's ability to meet requirements that he had responsibility for, including from an AML/CFT perspective. The criteria also takes into account any serious professional lapses by an applicant that may impinge on his integrity, or any compelling grounds from a public interest perspective, to withhold approval to the applicant.

6.2 These Regulations have since been merged with the "Variable Capital Companies Regulations 2020". The feedback received on the "Variable Capital Companies (Fit and Proper) Regulations 2019" will however be addressed separately in this section of the response instead.

6.3 Respondents did not raise any objection to the proposed criteria, but several respondents sought clarification on whether the MAS Guidelines on Fit and Proper Criteria ("FSG-G01") will be applicable to VCCs. Drawing reference from the criteria under FSG-G01, respondents also asked whether competency of an applicant would be taken into account when determining a person's fitness and propriety.

6.4 One respondent suggested additional criteria for the purposes of "fit and proper" of a VCC director, including whether the proposed director:

- (a) is an undischarged bankrupt;
- (b) has past conviction of a criminal offence particularly involving fraud and dishonesty; and

-
- (c) is a subject of an adverse finding or disciplinary action by a regulator or professional body such as the Institute of Singapore Chartered Accountants, or currently under investigation by a regulator or professional body or any relevant authorities.

6.5 Lastly, a few respondents suggested that the lookback of a person's conduct and compliance history in relation to the fit and proper criteria to be capped to the past 10 years.

MAS' Response

6.6 In substance, the fitness and propriety principles for a director of a VCC and that of an MAS-regulated fund manager are similar. Section 48 of the VCC Act requires a VCC to have at least one director who is either a director or a qualified representative of the manager of the VCC, which would be an MAS-regulated entity. This director would be subject to the FSG-G01. For VCC directors who are not directors or representatives of an MAS-regulated fund manager, MAS does not directly supervise them. Nonetheless, if it comes to MAS' attention that such a director falls short of the fit and proper criteria in the FSG-G01 in the course of our supervision of the fund management activity of the fund manager, MAS may furnish such information to the Registrar for the purpose of enabling him to carry out his function or duty under the VCC Act, including making assessments on the fitness and propriety of VCC directors, or assessing if they would constitute grounds for disqualification of a VCC director under the VCC Act.

6.7 With regard to the additional factors suggested by the respondent in paragraph 6.4 above, the first two factors, namely whether the proposed director is an undischarged bankrupt, or has a past conviction of a criminal offence particularly involving fraud or dishonesty, have already been considered, as they constitute grounds for disqualification of director under sections 55 and 58 of the VCC Act. This is similar to two of the fit-and-proper criteria in MAS' FSG-G01. The Registrar may take into consideration the remaining factors as part of its assessment of whether an applicant has acted in a manner that reflects adversely on his or her integrity. *Inter alia*, the Registrar may also consider the severity of the misconduct or professional lapses and how recent they are.

7 Variable Capital Companies (Identical Names) Regulations 2020

7.1 MAS proposed to introduce Regulations to set out the rules for determining whether the name of a VCC is identical to the name of another entity under section 21 of the VCC Act. MAS did not receive any objection to this proposal.

MAS' Response

7.2 MAS will proceed with the proposal.

8 Variable Capital Companies Regulations 2020

8.1 MAS proposed miscellaneous Regulations applicable to VCCs, including requirements in relation to auditors' remuneration and prescribed circumstances on whether a VCC is carrying on business.

8.2 One respondent suggested allowing individuals with equivalent overseas membership of professional bodies such as Institute of Singapore Chartered Accountants and Chartered Secretaries Institute of Singapore, or qualifications equivalent to that of a qualified person under the Legal Profession Act (Cap. 161) of Singapore, to take on the role of a VCC's secretary.

8.3 One respondent sought clarification on whether there will be any regulation which sets out prescribed circumstances on whether an umbrella VCC is carrying on business in relation to its sub-fund.

8.4 MAS also proposed that the Court may order the winding up of a VCC under section 130(8)(n) of the VCC Act if the VCC contravenes section 46 of the VCC Act for a period of three months or more. MAS did not receive any objection to this proposal.

8.5 MAS proposed the forms and statements including:

- (a) declaration of consent to act as manager of a VCC and statement of compliance with section 46(2) of the VCC Act, in accordance with section 47(2) of the VCC Act;
- (b) declaration of consent to act as director of a VCC and statement of non-disqualification to act as director, in accordance with section 49 of the VCC Act; and
- (c) statement by both the VCC, and the person to be named as a director or proposed director of VCC, as to the person's compliance with fit and proper factors prescribed in section 53(3) of the VCC Act, in accordance with section 49(b) of the VCC Act.

8.6 MAS did not receive any objection to the proposed VCC forms.

MAS' Response

8.7 MAS will proceed with the proposal.

8.8 With regard to the request to allow the recognition of equivalent overseas membership or qualifications for VCC secretary, MAS would like to clarify that the requirements of VCC secretary mirror those of company secretary under the CA. For parity with the existing requirements for company secretary under the CA, there will not be additional requirements prescribed.

8.9 MAS has taken in feedback to prescribe circumstances on whether there is reasonable ground to believe that an umbrella VCC is not carrying on business in relation to a sub-fund, including whether the umbrella VCC has failed to respond to any correspondence sent by the Registrar relating to the sub-fund by registered post, where a response is required and whether credible information has been received by the Registrar indicating that the umbrella VCC is not carrying on business in relation to the sub-fund.

8.10 MAS would like to highlight that the minimum period of contravention of section 46 of the VCC Act by a VCC of three months, upon which the Court may order the winding up of a VCC under section 130(8)(n) of the VCC Act, is a continuous period, not cumulative.

8.11 MAS has also clarified in the Regulations that all forms prescribed in the VCC Regulations 2020 will be hosted on the website of the Registrar.

9 Variable Capital Companies (Transfer of Registration) Regulations 2020

9.1 MAS proposed Regulations to apply, with modifications, the existing regulatory regime for the transfer of registration of foreign corporate entities under the CA to foreign corporate entities² that intend to be registered as VCCs under the VCC Act.

9.2 Respondents were generally supportive of the proposal, highlighting that the transfer of registration process should be as efficient and streamlined as possible, so as to encourage take-up of the VCC framework by foreign corporate entities. One respondent queried whether the scope of re-domiciliation would be broadened to entities beyond those that are defined as foreign corporate entities in the VCC Act. Another respondent suggested imposing a minimum timeframe that a foreign corporate entity has to be in operation in its foreign jurisdiction of incorporation before it can re-domicile to Singapore.

9.3 One respondent requested for the four month approval period in relation to the certification of documents under section 134(2)(b)(i) of the VCC Act to be shortened.

² As defined in section 132 of the VCC Act, “foreign corporate entity” means a body corporate that is incorporated outside Singapore, and that comprises one or more collective investment schemes.

Another respondent asked whether the Registrar would accept alternative forms of certification, in the event that the documents required could not be certified in the manner set out in the Regulations.

9.4 Respondents also asked for guidance on the re-domiciliation scenarios that are permissible under the current VCC framework.

9.5 Respondents suggested that compliance with section 19(4)(c) of the VCC Act, which states that the constitution of a VCC must state the full name, address and occupation of the subscriber or each subscriber to the constitution be waived vis-à-vis a foreign corporate entity registered under the VCC Act.

9.6 One respondent also queried whether the Registrar would require cause book or litigation or winding up and judicial management searches from the domicile of the foreign corporate entity to be furnished as part of the documents required to be provided to the Registrar for transfer of registration to Singapore.

MAS' Response

9.7 MAS will proceed with the proposal. MAS will study the process of transfer of registration for entities beyond those that are defined as foreign corporate entities in the VCC Act in subsequent reviews of the framework.

9.8 On the suggestion that MAS impose a minimum timeframe that a foreign corporate entity has to be in operation in a foreign jurisdiction before it can re-domicile to Singapore as a VCC, MAS recognises that imposing a minimum timeframe for operation in a foreign jurisdiction may be prohibitive to certain funds that are domiciled overseas, but would like to re-domicile to Singapore. As such, the MAS will not impose a minimum amount of time prescribed under the VCC Act or these Regulations that a foreign corporate entity needs to be in existence in the foreign jurisdiction before re-domiciling to Singapore. Notwithstanding this, a foreign corporate entity must be authorised to transfer its incorporation under the law of its place of incorporation and must comply with the law of its place of incorporation in relation to the transfer of its registration. It must also meet all the other minimum requirements for registration set out in the Regulations, including the ability of the foreign corporate entity to pay its debts, or the solvency of the foreign corporate entity.

9.9 MAS would like to provide guidance on the re-domiciliation scenarios that are permissible under the VCC framework:

Foreign Corporate Entity³	Re-domiciled VCC	Comments
Foreign umbrella fund (whose constitution permits for one or more collective investment schemes)	Umbrella VCC	A foreign umbrella fund may re-domicile to Singapore as an umbrella VCC and should apply to register the umbrella VCC and the requisite number of sub-funds under the umbrella VCC. The registration of the sub-funds under the umbrella VCC will be done after the foreign umbrella fund has been registered as an umbrella VCC
Foreign non-umbrella fund (whose constitution only permits one collective investment scheme)	VCC	A foreign non-umbrella fund may re-domicile to Singapore as a non-umbrella VCC. The constitution of the non-umbrella VCC may be amended after re-domiciliation to change the VCC to an umbrella VCC. It is not permitted for the foreign non-umbrella fund to re-domicile to Singapore as an umbrella VCC in the first instance. Multiple foreign non-umbrella funds may not re-domicile together to Singapore as a single umbrella VCC A foreign non-umbrella fund may not re-domicile to Singapore as a sub-fund of an umbrella VCC
Sub-fund of a foreign umbrella fund	Not permitted to re-domicile to Singapore	It is not possible for a sub-fund of a foreign umbrella fund to re-domicile to Singapore as a non-umbrella VCC or umbrella VCC without the foreign umbrella fund. This is because the sub-fund is not a body corporate in and of itself

9.10 MAS would like to clarify that the four month period referred to in the Regulations relates to the requirement that copies of documents that must be provided for the purposes section 134(2)(b)(i) of the VCC Act be certified within a timeframe of four months preceding the day on which such copies are lodged with the Registrar. It does not refer to a timeframe for approval. MAS would also like to clarify that the Registrar will only accept copies of the documents that are certified by the persons set out in the Regulations that are able to certify such documents. Copies of documents that are

³ Foreign corporate entities seeking to re-domicile to Singapore are required to meet the definition under section 132 of the VCC Act.

certified by other persons who are not prescribed to conduct such certifications per the Regulations will not be accepted.

9.11 The Regulations have also been amended such that section 19(4)(c) of the VCC Act vis-à-vis a foreign corporate entity registered under the VCC Act may be waived. This waiver is also commensurate with the similar waiver granted for foreign corporate entities that seek to re-domicile to Singapore as companies under the CA.

9.12 The application forms for a transfer of registration transaction will require the applicant to confirm that it meets all minimum requirements under regulation 7 of the VCC (Transfer of Registration) Regulations 2020 including confirmation that the foreign corporate entity is not under judicial management or that no receiver is in possession of or has control over any its property and that such foreign corporate entity is not in liquidation or in the process of being wound up. Therefore, the Registrar would not require cause book or litigation or winding up and judicial management searches from the domicile of the foreign corporate entity to be furnished as part of the documents required to be provided to the Registrar in an application for transfer of registration to Singapore.

10 Variable Capital Companies (Dissolution of Sub-funds and Striking Off of VCCs' Names) Regulations 2020

10.1 MAS proposed Regulations to set out the procedure for the striking off and restoration of VCCs and their sub-funds under sections 130 and 33 of the VCC Act read with sections 344A to 344D of the CA.

MAS' Response

10.2 MAS will proceed with the proposal. On further consideration, the Regulations have been revised into two parts.

10.3 First, to set out the grounds and conditions for declaring a sub-fund dissolved on application by the umbrella VCC, instead of the grounds and conditions for striking a sub-fund's name off the register maintained by the Registrar. In particular, the Registrar may declare the sub-fund of an umbrella VCC dissolved on the ground that the umbrella VCC has (i) has not started to carry on any business in relation to the sub-fund or has not begun operation of the sub-fund; or (ii) has ceased to carry on any business in relation to the sub-fund or has ceased to operate the sub-fund. The Regulations also set out the considerations in deciding to allow objections to any dissolution of sub-funds.

10.4 Second, to set out the grounds and conditions for the striking off of the VCC's name from the register on application by the VCC. The Regulations also set out the

considerations in deciding to allow objections to any striking off of the VCC's name, and the conditions for applications for administrative restoration of the VCC's name to the register.

10.5 In addition, MAS will be prescribing technical modifications to Subdivision 5 of Division 4 of Part X of the CA as applied by section 33 of the VCC Act for the dissolution of sub-funds. These will be by Regulations made under section 5(4) of the VCC Act. The modifications will be consistent with that in section 30 of the Variable Capital Companies (Miscellaneous Amendments) Act 2019.

11 Sixth Schedule to the SFR(CIS)

11.1 MAS proposed amendments to the Sixth Schedule to the SFR(CIS) to effect the VCC framework in relation to Restricted Schemes which will be VCCs or sub-funds of VCCs.

11.2 Respondents were generally agreeable to the proposed amendments. Most respondents sought clarity as to whether Restricted Schemes which will be VCCs or sub-funds of VCCs would be able to maintain their assets in trust or custody accounts with a prescribed entity, as listed in paragraph 7.6 of the Response Paper.

MAS' Response

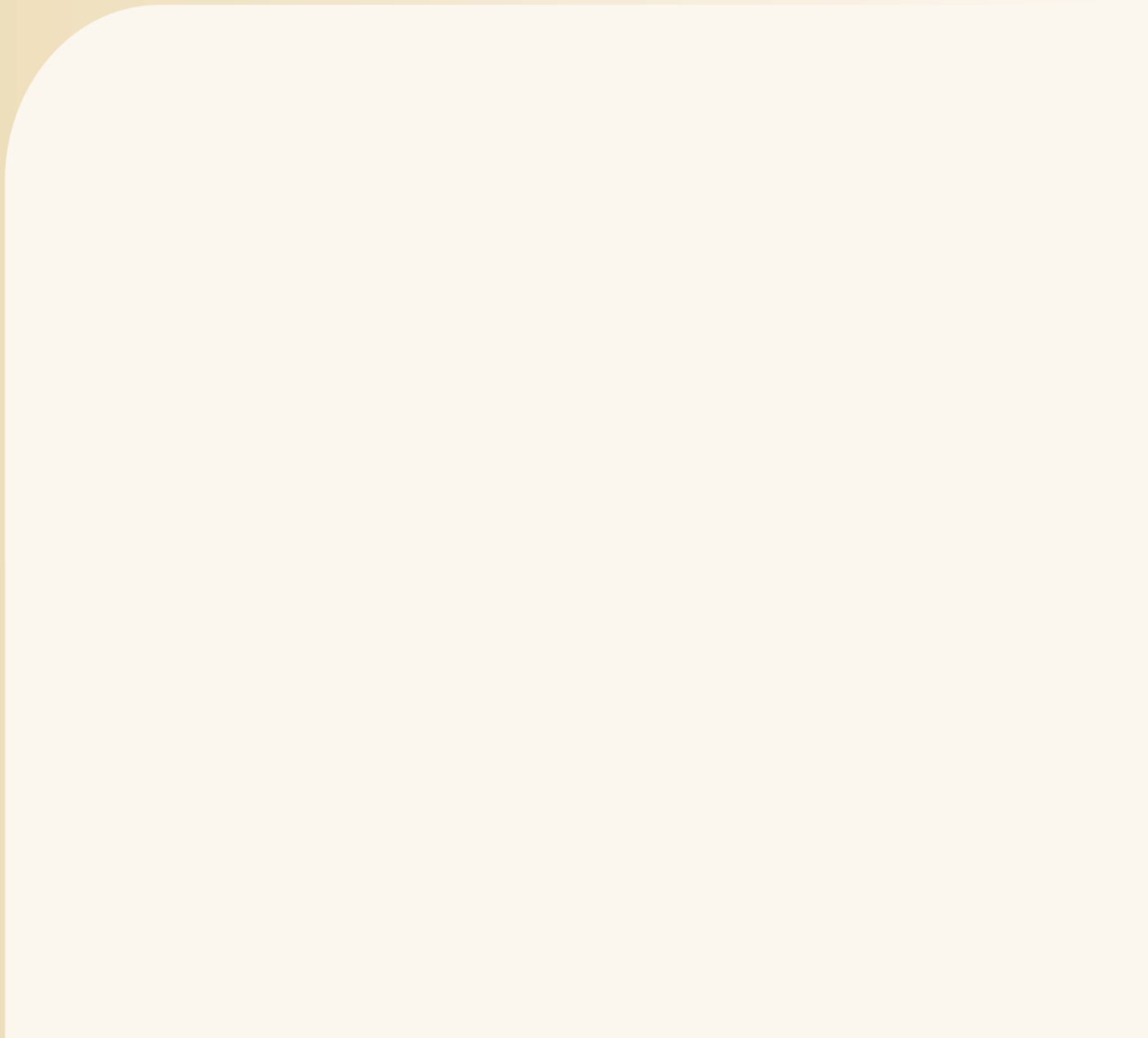
11.3 MAS will amend the Sixth Schedule to clarify that Restricted Schemes which will be VCCs or sub-funds of VCCs will be allowed to appoint a custodian that is an approved trustee or prescribed custodian within the meaning of regulation 26(6) of SFR(LCB). In addition, in line with regulation 13B(4)(b) of the SFR(LCB), a Restricted Scheme that will be (i) a VCC or a sub-fund of a VCC, and (ii) a private equity or venture capital will not need to appoint a custodian provided the Restricted Scheme has:

- (a) disclosed this fact to its investors;
- (b) obtained investors' acknowledgement of this custody arrangement; and
- (c) arranged for an auditor to audit the assets on an annual basis and furnish a report to investors.

11.4 MAS will proceed with the other proposed amendments to the Sixth Schedule.

MONETARY AUTHORITY OF SINGAPORE

15 January 2020



Monetary Authority of Singapore