Ogier

The evolution of variable capital companies VCCs in Singapore

News - 31/01/2024

The variable capital company (VCC) structure was established by Singapore in 2020. Since then, Singapore has reported a total of 969 incorporated or re-domiciled VCCs representing 1,995 sub-funds, both umbrella and standalone.

VCC structures continue to evolve, primarily driven by investor and regulatory requirements. As these structures are becoming significant beyond Singapore's borders, some challenges remain as fund managers in Asia look to integrate domestic structures with those in other jurisdictions.

Integrating Singapore domestic structures cross-jurisdiction

Complying with regulation across relevant jurisdictions, the appropriate level of substance to benefit from tax-efficient rulings, along with overall costs associated to managing increasing structures are some of the key challenges being faced by fund managers.

VCC integration routes into domestic structures will vary depending on the geographical spread. There are widely used structuring routes, for example Luxembourg structures integrating with those in Singapore. Another route commonly used is structures based in Singapore integrating with those domiciled in wider Asia-Pacific regions, where the legal and tax aspects of these structures have been well-tested.

What is driving Asian fund managers to undertake VCC restructuring?

Primarily, VCC restructuring is driven by the search for capital. Necessitating multi-jurisdictional structuring to accommodate US, European investors and ultimately investing into Asia-Pacific regions.

Another driver for restructuring is the changing regulatory environment. The advent of the VCC in Singapore has provided managers with a good fund vehicle for which investors can feed into directly. Whilst it is still in its infancy, it provides an option for Managers to use a Singapore domiciled structure as the fund vehicle.

The impact of restructuring on fund management efficiencies

Given the mature fund ecosystem, VCC structural adaptations may enhance the efficiency and effectiveness of Asian fund management. There is a wide array of service providers (legal, fund administrators and custodians) with global connections and deep local expertise that are able to support fund managers cross-jurisdictionally. Additionally, any simplification within structuring reduces operational complexity and costs.

The future of VCC structures

The Monetary Authority of Singapore (MAS) is expected to announce further changes to VCC structures in 2024 and 2025, with the aim of increasing its efficiency and use as a fund vehicle where investors can invest directly.

The founder of Abacus Capital, Hogi Hyun, shared insights on the possible upcoming changes based on industry feedback: "(MAS is considering) amending the existing legislation to allow fund managers who wish to convert their existing funds, currently structured as companies or unit trusts, to VCCs. Once this is passed, we expect more interest and use for cases for the Singapore VCC as a wealth management vehicle for clients to domicile their assets in one region."

"Going beyond Singapore depends on the ability to use the fund management license in other places (also known as passporting), and mutual agreements. Progress is happening steadily in this regard."

About Ogier

Ogier is a professional services firm with the knowledge and expertise to handle the most demanding and complex transactions and provide expert, efficient and cost-effective services to all our clients. We regularly win awards for the quality of our client service, our work and our people.

Disclaimer

This client briefing has been prepared for clients and professional associates of Ogier. The information and expressions of opinion which it contains are not intended to be a comprehensive study or to provide legal advice and should not be treated as a substitute for specific advice concerning individual situations.

Regulatory information can be found under Legal Notice

Meet the Author

Tervinder Chal

Managing Director

Singapore

E: tervinder.chal@ogier.com

T: + 65 6995 2200

Key Contacts

Connie Chan □□□

Associate Director □□□

Singapore

E: connie.chan@ogier.com

T: +65 6995 2211

Related Services

Corporate and Fiduciary

Fund Services - Ogier Global

Fund Administration

Ogier Global