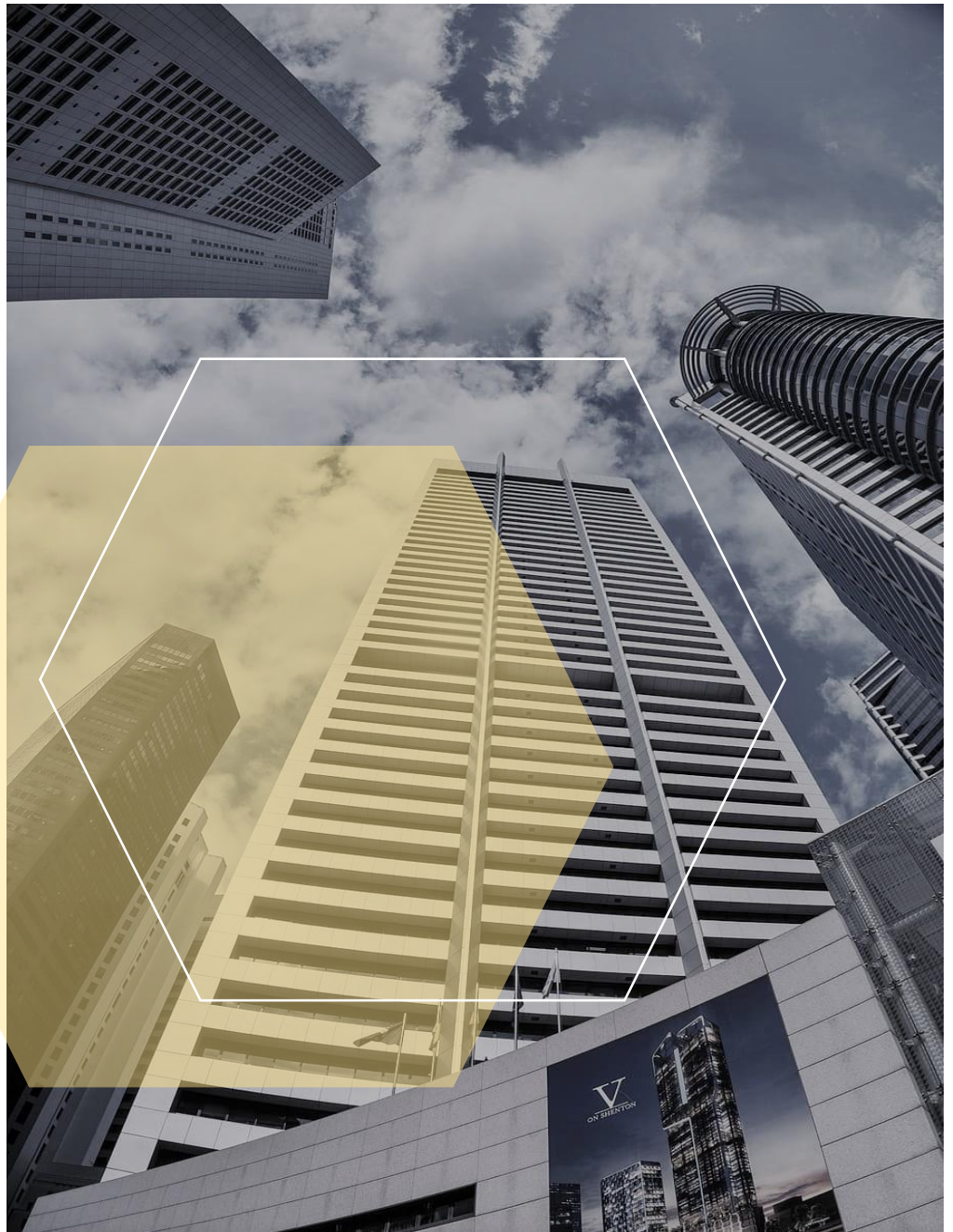




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VCC GRANT SCHEME

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The Variable Capital Companies ("**VCC**" or "**SVCC**") framework was officially launched by the Monetary Authority of Singapore ("**MAS**") and the Accounting and Corporate Regulatory Authority ("**ACRA**") on 15 January 2020. In an earlier article, we alluded to a grant scheme (the "**VCC Grant**") that the MAS has launched to encourage industry-wide adoption of the VCC structure in Singapore. We have seen quite a fair bit of interest in and inquiries about the VCC Grant, and this article provides an overview of the VCC Grant as well as addresses some of the more frequently asked questions.



OVERVIEW

The VCC Grant, which will be available for three (3) years initially, has been established by the MAS to help qualifying fund managers defray costs associated with incorporating or registering a VCC by co-funding up to 70.0% of eligible expenses paid to Singapore-based service providers, as further described below. The VCC Grant also applies to re-domiciliations, and there is a cap of S\$150,000 per application. As the VCC Grant works on a reimbursement basis, a qualifying fund manager that intends to utilise the full amount of the grant per VCC will have to first fork out approximately S\$214,286 in order to apply for a reimbursement of S\$150,000.

APPLICATION CRITERIA AND CONDITIONS

- (a) Only qualifying fund managers are eligible to apply for the VCC Grant. A qualifying fund manager is any one of the following:
 - (i) a licensed fund management company (i.e., a holder of a capital markets services ("**CMS**") licence for fund management under Section 86 of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"));
 - (ii) a registered fund management company (i.e., a corporation which is exempted from holding a CMS licence for fund management under paragraph 5(1)(i) of the Second Schedule to the Securities and Futures (Licensing and Conduct of Business) Regulations; or
 - (iii) a financial institution exempted under Sections 99(1)(a), (b), (c) or (d) of the SFA from the requirement to hold a CMS licence for fund management (i.e., a bank licensed under the Banking Act, Chapter 19 of Singapore, a merchant bank approved under the Monetary Authority of Singapore Act, Chapter 186 of Singapore, a finance company licensed under the Finance Companies Act, Chapter 108 of Singapore, or a company or co-operative society licensed under the Insurance Act, Chapter 142 of Singapore.

- (b) The set up of the VCC cannot be simultaneously funded by other government grant(s)/incentive(s) with respect to the same set of qualifying expenses and commitments.
- (c) Each applicant can apply for the VCC Grant for up to a maximum of three (3) VCCs that have successfully incorporated or re-domiciled.
- (d) Qualifying expenses must be paid to Singapore-based service providers for work performed in Singapore in relation to the incorporation and registration of the VCC and its sub-funds.
- (e) A qualifying fund manager cannot apply for the VCC Grant solely for registration of sub-funds (without the accompanying incorporation or transfer of registration of the VCC). However, a qualifying fund manager may claim for qualifying set-up costs incurred for the registration of sub-funds as part of the set up of an umbrella VCC.
- (f) Applicants should formally submit their applications within **three (3) months** from the date on the notice of incorporation or notice of registration issued by ACRA.

QUALIFYING EXPENSES

One of the oft-asked questions is what expenses qualify for the VCC Grant. The table below sets out the guidelines from MAS as to what would be considered as qualifying expenses for the purposes of the VCC Grant.

Category	Items that qualify for funding
Legal services	<ul style="list-style-type: none"> Fees charged by law firms for legal work in relation to the incorporation or registration of a VCC, including, but not limited to, drafting of legal documents such as the VCC constitution, subscription agreement(s) and investment management agreement(s). Statutory fees, including all filing fees, are not covered. Work done in relation to the authorisation or registration of a VCC with the MAS. Work done in relation to the licensing of the qualifying fund manager is not covered.
Tax services	<ul style="list-style-type: none"> Fees charged by tax advisors, fund administrators, corporate secretaries, law firms or other Singapore-based service providers for tax advice connected with the incorporation or registration of a VCC, including, but not limited to, tax opinions on the incorporation or registration of a VCC, as well as relating to the tax incentive applications. The tax advice may also cover tax compliance matters as well as opinions on the VCC's eligibility for Singapore double tax treaties with other jurisdictions, as well as goods and services tax remissions. Fees charged for liaising with the Inland Revenue Authority of Singapore or the MAS on tax matters in relation to the incorporation or registration of a VCC will also qualify.

Fund administration or regulatory compliance services	<ul style="list-style-type: none"> • Fees charged by fund administrators for work done, including for incorporation or registration services in relation to the set up of a VCC, appointment of directors and all filings necessary for the incorporation or registration of the VCC. • Fees charged for work done by regulatory consultants in relation to the authorisation or registration of the VCC with MAS or setting up a compliance framework or any services listed above is also included. • Work done in relation to the licensing of the qualifying fund manager is not covered.
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Based on the guidelines from MAS as set out above, it is unlikely that certain expenses which some qualifying fund managers may incur in the course of setting up a VCC that are not directly related to incorporation or registration, such as consultant fees and information technology expenses (for example, trading software and Bloomberg terminals) and perhaps even the professional fees incurred in connection with tokenising the participating shares of the sub-funds in a VCC, will qualify for the VCC Grant. We would recommend that qualifying fund managers plan their budget on that assumption.



WMH Law Corporation is an award-winning medium sized boutique law firm founded by a group of enterprising next-generation lawyers who were previously practising at a Big 4 law firm in Singapore with the goal of delivering big firm quality legal work in a cost-effective manner. WMH Law Corporation's corporate law practice advises on a range of specialised and general corporate law matters, with a particular focus on asset management, start-ups, fintech and financial services regulatory compliance and corporate finance. Owing to their differentiated backgrounds, the strength of WMH Law Corporation's corporate law advisers lies in their ability to combine solid legal know-how with business acumen to help clients navigate the regulatory landscape while also achieving their commercial goals.

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