

Singapore-Variable Capital Companies (S-VACCs)

Overview of tax and regulatory aspects
of the S-VACC

22 June 2018

Selection of fund vehicle

Key considerations



Current landscape

Overview



Current landscape

Offshore fund vehicles

| | Hong Kong | Ireland | UK | Luxembourg |
|--|--|--|--|---|
| Vehicle name | Open-ended Fund Company (OFC) | Irish Collective Asset-management Vehicle (ICAV) | Open Ended Investment Company (OEIC) | Société d'investissement à capital variable (SICAV) |
| Date of introduction | Expected in 2018 | March 2015 | 2001 | July 2013 |
| Segregated cells, sub-funds or compartments? | Yes | Yes | Yes | Yes |
| Local fund manager? | Yes - Type 9 licensed investment manager | Can be self-managed, fund manager usually from Ireland or EU (i.e. does not need to be local). | UK Authorized Corporate Director required, able to delegate fund management outside of UK. | Must be managed by an authorized management company or Alternative Investment Fund (AIF) Manager or be a self-managed Undertakings for Collective Investment in Transferable Securities (UCITS) or an internally-managed AIF. |
| Redemption of shares or payment of dividends from capital? | Yes, at Net Asset Value | Yes | Yes, redemption of shares from capital. Dividends from revenue, not capital. | Yes, at Net Asset Value |
| Tax aspects | Taxable, but likely to be exempt | Taxable, but exempt | Taxable, but certain income may not be subject to tax | Taxable, but only pays a subscription tax |

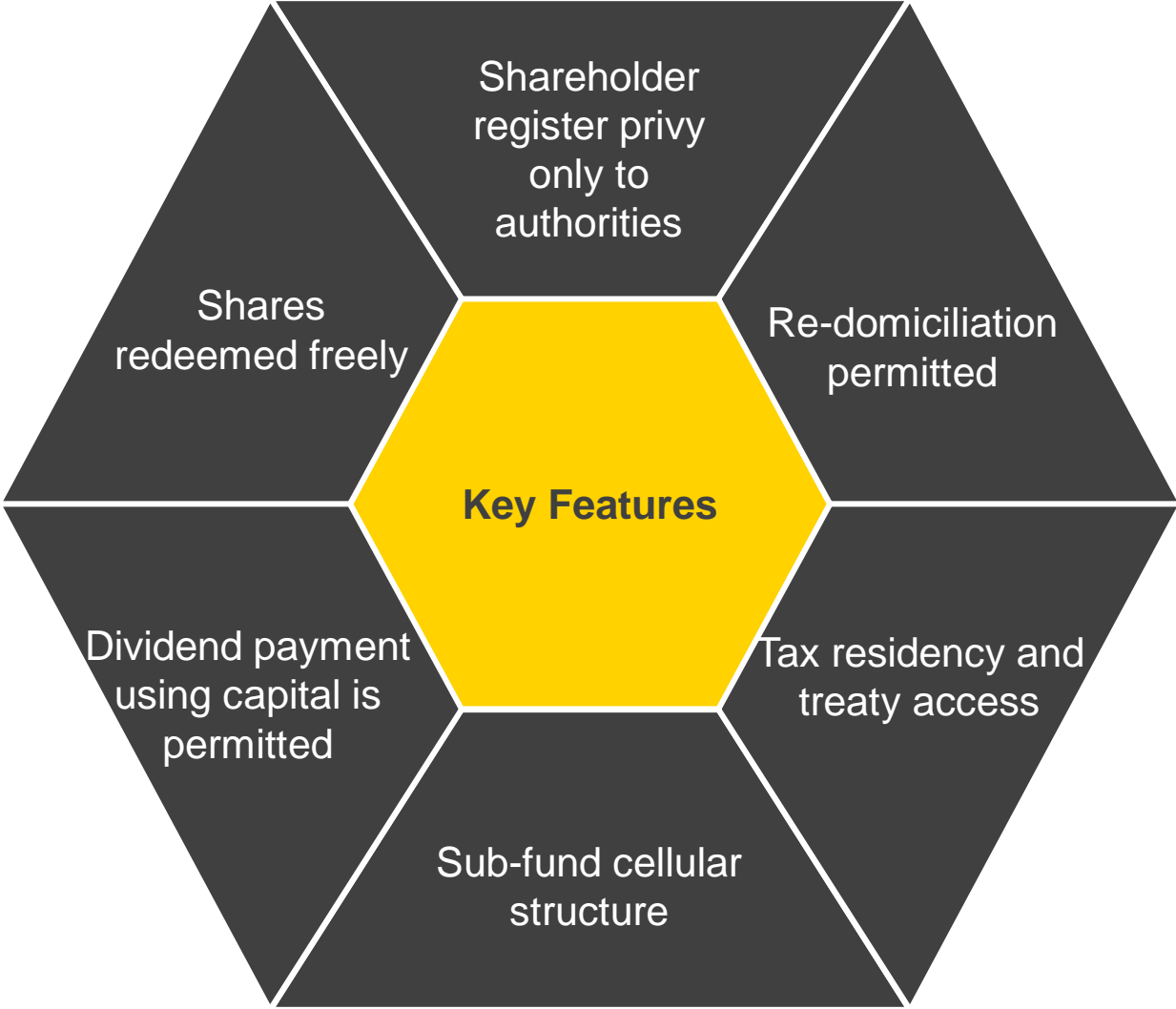
Current landscape

Onshore fund vehicles

| | Perceived positives | Perceived negatives |
|---------------------|---|--|
| Company | <ul style="list-style-type: none"> ▶ Ease of set up ▶ Tax-exempt dividends ▶ Limited liability ▶ Treaty access ▶ Section 13R and 13X | <ul style="list-style-type: none"> ▶ Cash trap ▶ Administration |
| Trust | <ul style="list-style-type: none"> ▶ Ease of distributions ▶ Sub-Trusts ▶ Section 13CA and 13X | <ul style="list-style-type: none"> ▶ Relatively expensive ▶ Difficulty in obtaining treaty benefits |
| Limited partnership | <ul style="list-style-type: none"> ▶ Ease of set up ▶ Limited liability ▶ Ease of distributions ▶ Section 13X | <ul style="list-style-type: none"> ▶ Section 13CA or 13R unavailable ▶ Inability to obtain treaty benefits |

S-VACC

A structure worth considering



Regulatory framework for S-VACCs

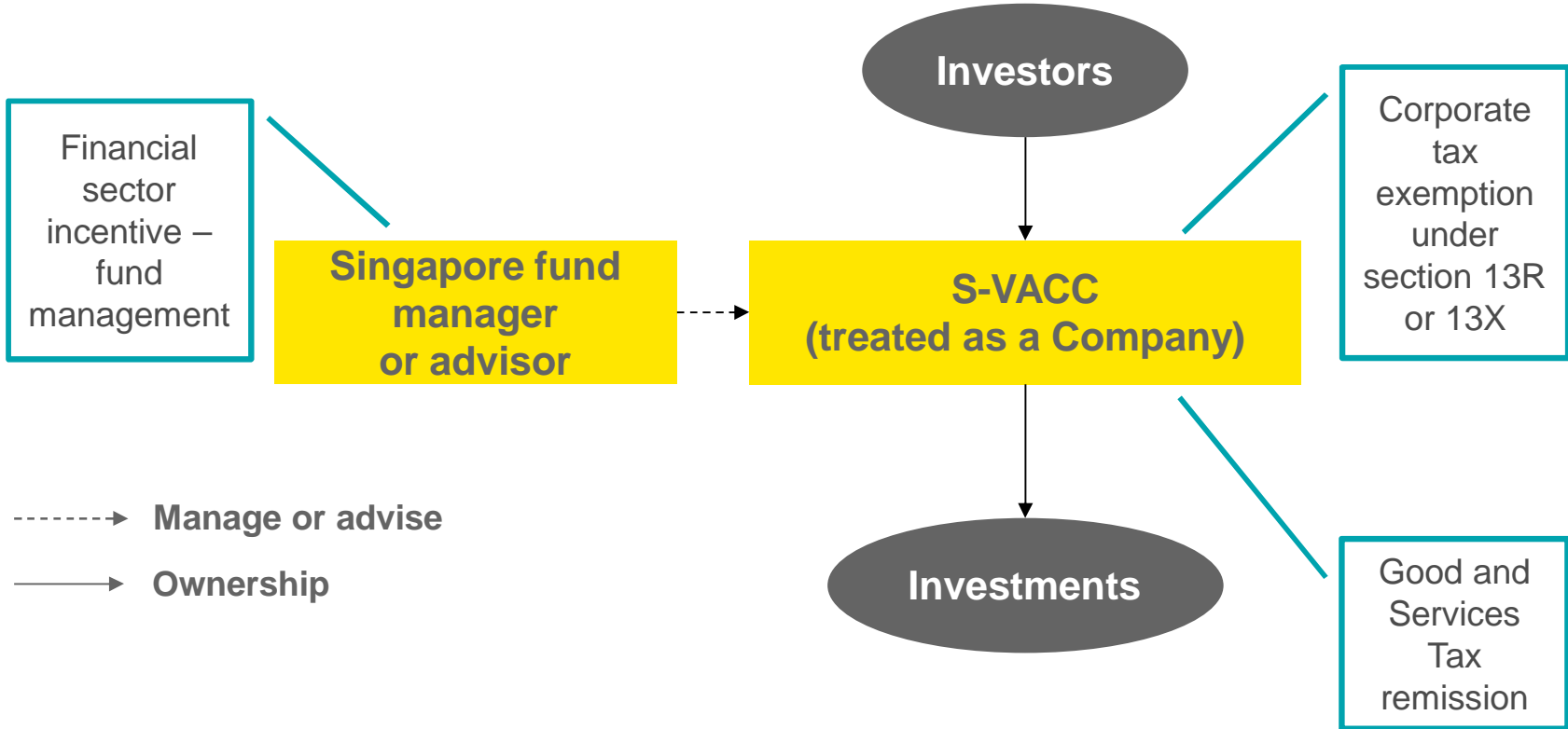
The regulations are still being firmed up (pending the S-VACC Act)

A recap of certain key requirements set out in the Monetary Authority of Singapore (MAS) consultation:

- ▶ Only used for collective investment schemes (open- or closed-ended)
- ▶ Annual general meetings s not required (but can be requested by more than 10% shareholders)
- ▶ Accounts must be audited
- ▶ Register of shareholders need not be publicly disclosed (but must be disclosed to Accounting And Corporate Regulatory Authority, MAS and other public authorities)
- ▶ Directors must be fit and proper;
 - ▶ at least one must be a director of the S-VACC's fund manager;
 - ▶ at least one must be a Singapore resident.
- ▶ Both registered office and company secretary must be in Singapore
- ▶ Managed by a Licensed, Registered or Exempt Fund Management Company
- ▶ Subject to Anti-Money Laundering and Countering the Financing of Terrorism requirements

Tax framework for S-VACCs

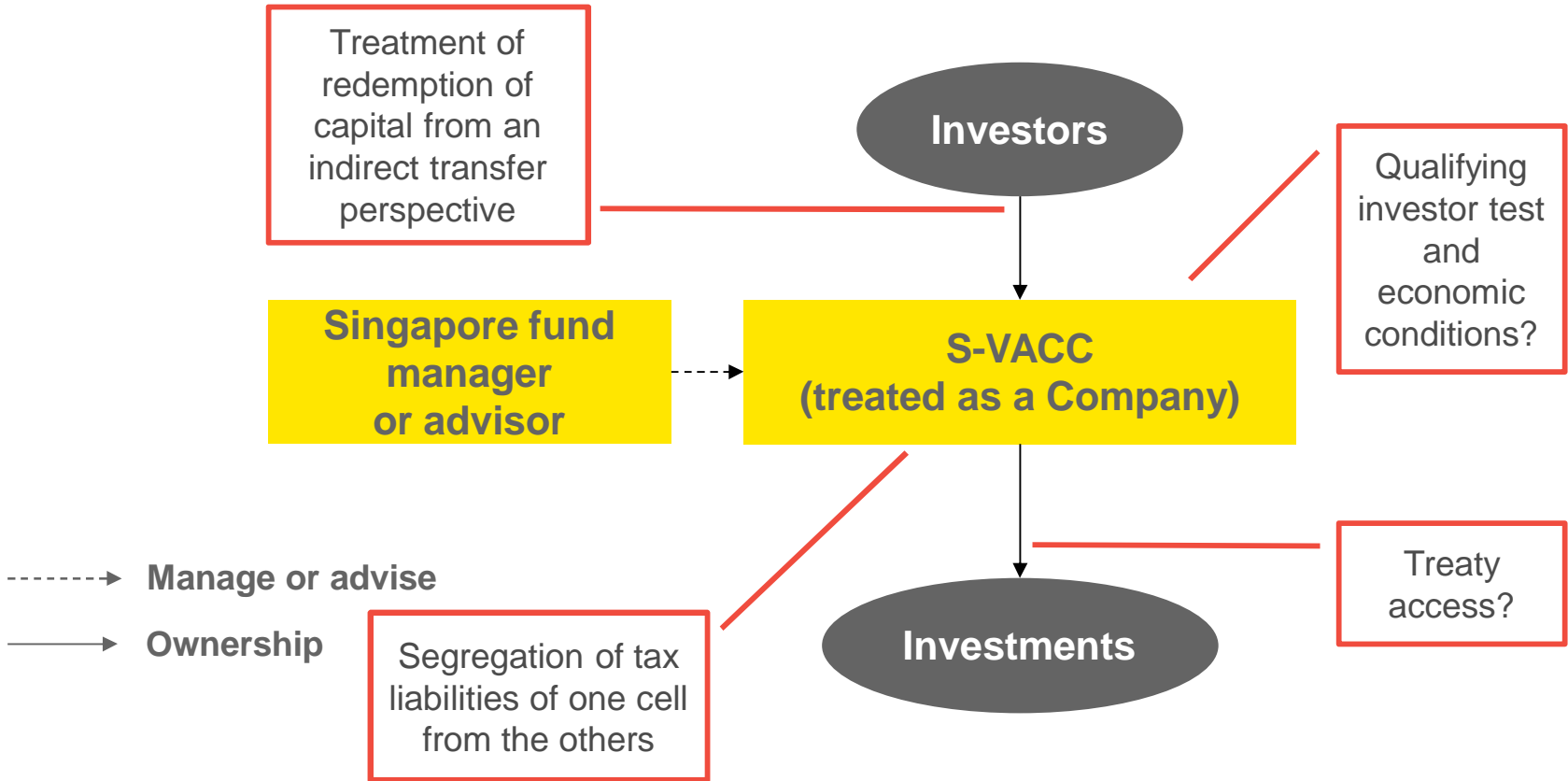
Details that have been announced



Detailed tax framework expected by October 2018

Tax framework for S-VACCs

Details that need clarification



Insights

Potential interest

Q

Is my cost of setting up and administering multiple fund vehicles prohibitive?

Q

Can I increase my substance in Singapore and allow my funds to access treaties?

Q

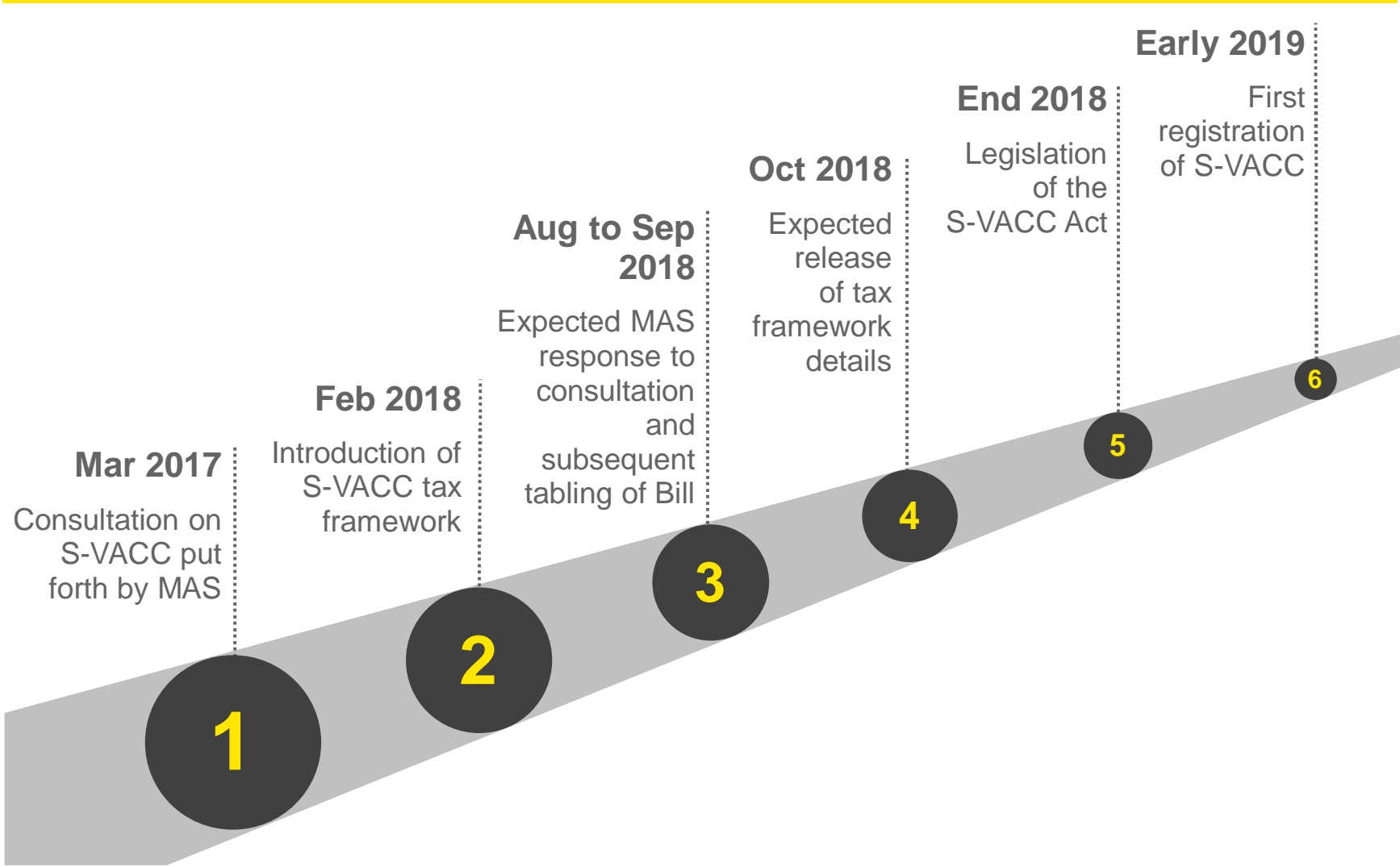
Are my funds open-ended and do my investors demand liquidity?

Likely adopters

- ▶ First wave: local and regional fund managers
- ▶ Second wave: global fund managers

S-VACC

Implementation timeline



EY contacts

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