

DAS
FAMILY
OFFICE



SHARING OUR PASSION FOR INVESTMENTS



SINGAPORE'S VARIABLE CAPITAL COMPANY (VCC)

Our Team



Mario Becker

CEO

Mario founded Das Family Office Pte Ltd in June 2017, following an 8 year tenure as Managing Director – Head of Investment Advisory for SE Asia at Standard Chartered Private Bank managing a team of 20 investment advisors and ultra-high net worth assets. His early passion for investing was fulfilled with over 13 years in senior management roles at Deutsche Bank Private Wealth Management in Asia and Europe.



Virna Anne M. Goyal, CFA

Managing Partner

Virna Anne is an experienced global, multi-asset class investment professional with 28 years of experience at managing the investment needs and perspectives of the very wealthy in Asia through the private banking divisions of Credit Suisse, ABN AMRO, BNP Paribas and Standard Chartered in Singapore and Hong Kong; and leading teams of high calibre investment professionals.



Rainer Michael Preiss

Partner & Portfolio Strategist

Rainer Michael Preiss has over 25 years of experience in global private banking and was previously the Chief Equity Strategist at Standard Chartered (SC) where he was one of seven voting members on the Global Investment Council which decided on SC's global investment policy. He is also a renown contributor to the financial media world where he is a columnist for Forbes and is frequently featured on Bloomberg, CNA and CNBC.



Sri Prihadi, CFA

Business Advisor

Sri has over 25 years of experience as a trusted wealth advisor for high-net-worth individuals in Asia at leading global private banks Credit Suisse, Standard Chartered and American Express. Sri has a unique combination of technical expertise in financial investments and corporate finance to help her clients meet their financial goals. She has deep experience in intergenerational wealth planning through family trust, family office, private label funds, family constitution and philanthropy.

Who we are

Das Family Office PTE. LTD. provides a wide range of services to private and corporate clients who wish to roll out corporate and fund structures in this sought-after island nation. Singapore enjoys a pro-business environment with political and economic stability, an extensive network of trade agreements, high levels of transparency, and a sound legal system, all of which provide significant opportunities for individuals and companies worldwide.

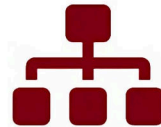
As a CMS licensed Fund Manager we have comprehensive experience in the set up and management of fund vehicles in different jurisdictions. We're a partner in helping clients operate and invest in an international environment. Our team of specialists can help you with any questions regarding the requirements to set up a VCC structure.

Our Role as Fund Managers



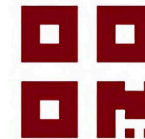
Fund Formation

We help you to setup your fund, GP entity, and management company — submitting applications, opening the right bank accounts and running capital calls.



Fund Coordination

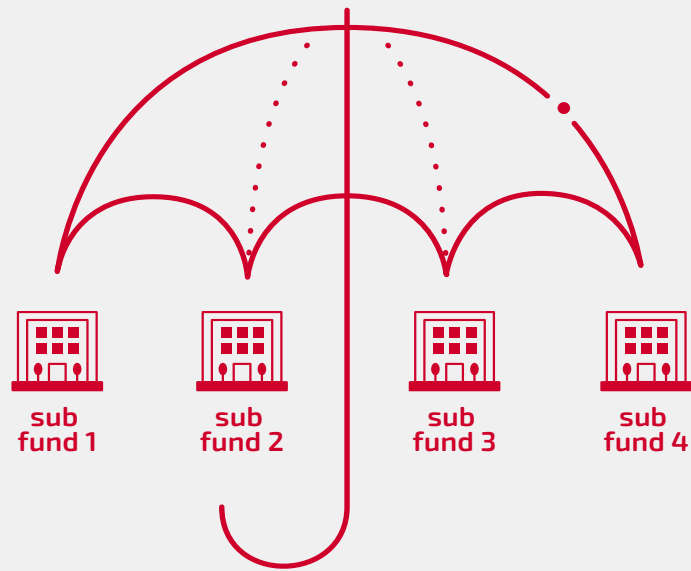
We coordinate with all relevant service providers for our clients and leverage access to best-in-class solutions providers. Connect with our network of legal and custodian services tailored to your fund needs and size.



Compliance

We perform the necessary KYC checks on all investors making sure they are compliant with Singapore's anti-money laundering (AML) and counter-financing terrorism (CFT) requirements.

A NEW FINANCIAL STAGE - SINGAPORE'S VARIABLE CAPITAL COMPANY (VCC)



What is a VCC?

The Singapore VCC (Variable Capital Company) is effectively an umbrella fund structure, which is looking to combine the benefits of traditional fund vehicles (Cayman, SICAV, Private Unit Trusts etc.). It was established by the Singapore government to make Singapore a financial hub for companies as well as wealthy individuals.

INTRODUCTION

Singapore is a favoured destination for investors, both in terms of setting up businesses for growth and for fund managers looking to make the most of the opportunities in South East Asia.

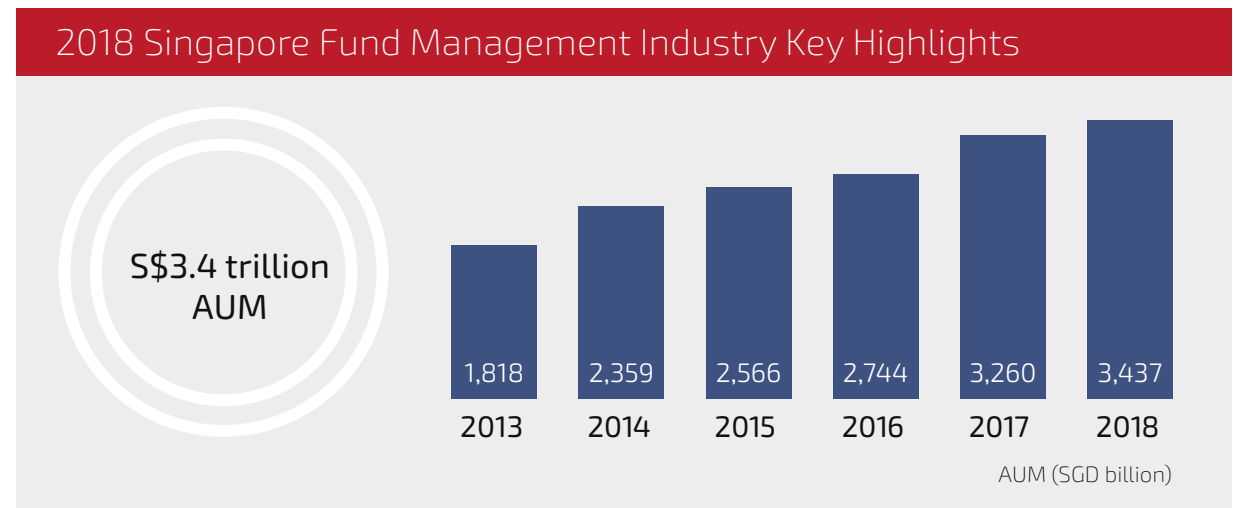
Its global standing, stable political landscape and business friendly outlook makes Singapore one of the most attractive cities in the world for foreign investment looking to make the most of:

- The low corporate tax rate
- No capital gains tax
- No withholding tax on dividends
- More than 80 double tax agreement (DTA) treaties in force
- Tax exemptions for foreign-sourced income
- No minimum share capital requirements
- No foreign exchange controls

Singapore's fund landscape

As a leading asset management hub with SGD 3.4 trillion assets under management (AUM), Singapore has long served as the investment gateway to Asia, with 67% of the total AUM invested in Asia Pacific¹.

In line with the hunt for yields in Asia's emerging countries, more than 30% of these AUM were investments into the Association of Southeast Asian Nations (ASEAN) countries.



SG AUM increased from approximately SGD 1.6 trillion in 2012¹

¹MAS Singapore Asset Management Survey 2018



HISTORICAL INVESTMENT CHALLENGES

However, it's not all been smooth sailing for those looking to set up an investment fund in Singapore, with the available structures to date each coming with their own disadvantages.

Investment funds have long been structured either as a corporate vehicle (Private Limited Company) or a partnership (Limited Partnership) scheme under the Companies Act in Singapore. Though these structures are direct and easy to administer, each type of vehicle poses inflexibilities or constraints to running an asset management business in the long run.

With a typical corporate vehicle, subscription and redemption of shares becomes a cumbersome effort as changes to the capital structure require a majority shareholders' approval, which can be detrimental to the fund taking on a larger number of investors to grow. On the other hand, establishing a fund as a limited partnership means it does not have a separate legal entity from its partners, and so is unable to sue or be sued or to own property in its own name. It is also unable to make use of the various tax treaties Singapore has in place with other countries.

The Monetary Authority of Singapore (MAS) recognised this challenge and sought a solution. It landed upon the Variable Capital Company (VCC) framework.





THE VARIABLE
CAPITAL
COMPANY (VCC)
FRAMEWORK:
A NEW KIND OF STRUCTURE
FOR SINGAPORE FUNDS





The VCC was launched as a new corporate structure that aims to overcome these constraints by allowing greater operational flexibility. This can bring cost savings to both investors and fund managers in the long run.

The idea of a comprehensive and robust investment funds framework was first floated in 2016. Public consultations were led by MAS, and implementation of the VCC framework was soon underway. It officially launched on 15 January 2020.

The VCC's aim is to position Singapore as a leading fund domiciliation hub. It also helps Singapore to catch up with market leaders, following the launch of the Asia Region Funds Passport scheme as well as the European Union's successful funds passporting scheme, known as the Undertakings for Collective Investments in Transferable Securities (UCITS).

WHAT'S THE VCC ALL ABOUT?

Catering to a wide range of investment strategies (traditional and alternative) and structures, the VCC can be used for either open- or close-ended funds. It also allows a variable capital shareholding structure.

It can be set up as a standalone investment fund or structured as an umbrella fund with underlying sub-funds, thus holding segregated and protected portfolios. More than 70 investment funds have been launched using the structure in the first six months of 2020.



5 BENEFITS OF THE VCC STRUCTURE FOR FUND MANAGERS

It allows segmented investment portfolios through sub-funds, which means assets and liabilities can be clearly separated and ring-fenced.

Investors have the flexibility to enter and exit the fund as they wish, as the calculation of their investment value is straightforward – the capital of the VCC is equal to its net assets.

Achieve cost efficiencies by having a single administrator, fund manager, custodian, auditor and compliance officer managing the main and sub-funds - no more juggling multiple funds.

Leverage Singapore's tax treaties for better cross-border investments.

Unlike with a traditional corporate vehicle, where dividends can only be distributed from profits, the dividends of a VCC can be distributed from the structure's capital.

UMBRELLA VCCS

Unlike traditional structures, the VCC structure enables multiple sub-funds to operate under a single structure umbrella. Several collective investment schemes, whether open-ended or closed-ended, can be gathered under the umbrella of a single corporate entity while still remaining ring-fenced.

Using the umbrella VCCs structure could help to address much of the challenges faced by fund managers dealing with multiple complex structures with a lean team. Scaling down and winding up fund structures at the end of the fund's lifecycle can prove to be a challenge - cleaning up balance sheets, solvency declarations, official filings and tax clearance can easily chalk up costs. If the process stalls, it expends resources unnecessarily. The consideration of a VCC umbrella structure may provide the preventative measures to such backend loads.

In this way, the VCC provides a unique proposition for investors: it helps to protect other funds and investments from being tainted by a bad investment, while also helping to protect individual investors from the actions of others under the umbrella.

VCC AT A GLANCE

- A legal entity designed for funds, both open-ended and close-ended
- Can be used as a single fund, or as an umbrella structure multiple underlying sub-funds
- Suits any funds investment strategy
- Requires a Singapore-based licensed or regulated fund manager
- Income from a VCC can be exempt from tax, if certain conditions are met
- Able to launch new strategies as sub-funds quickly
- Umbrella VCCs provide quick exit strategies without affecting the main fund
- Centralised administration and governance brings cost and management efficiencies
- Requires at least one resident Director and one Company Secretary
- Must apply to the Accounting and Corporate Regulation Authority (ACRA) to set up a VCC





HOW THE VCC STRUCTURE CAN BENEFIT INVESTORS

This innovative new investment structure, whether used as a single fund or an umbrella fund housing multiple sub-funds, provides a range of benefits that investors will find compelling.



PROTECTION: A LIMITED LIABILITY STRUCTURE FOR INVESTORS

The VCC umbrella structure with sub-funds provides safeguards to investors by ringfencing assets. This allows not only assets to be segregated but also the liabilities – the VCC Act prohibits the assets of a sub-fund from being used to discharge those of another sub-fund or the parent VCC fund. The same limitation applies to claims against the VCC or any of its sub-funds. All liabilities arising from the segregated sub-fund need to be discharged solely out of the assets of that sub-fund. Individual sub-funds must also be wound-up separately as if they were separate legal entities to ensure that the ring-fencing of each sub fund's assets and liabilities applies during insolvency.

FLEXIBILITY: THE VARIABLE CAPITAL STRUCTURE FACILITATES EASE OF ENTRY AND EXIT

In a traditional corporate vehicle, investors and fund managers often face issues such as determining fair NAVs at different entry and exit periods. How should an investor be 'penalised' for subscribing at a later stage or redeeming early? The VCC Act capital structure addresses this issue by having the shares issued, redeemed or repurchased at a price equal to the proportion of the VCC's NAV (net of fees and charges). At all times, the paid-up capital of the VCCs should be equal to its NAV.

ENHANCED PRIVACY

Financial statements and shareholders lists are not shared publicly hence investors can be assured of their privacy. The VCC structure provides a level of investor privacy not seen in traditional structures.

US “CHECK THE BOX” ELECTION

The VCC Act allows the fund structure to make an election under the US “check the box” rules, such that it's treated as a “pass-through” entity for US tax purposes. This presents an attractive option for US investors to explore opportunities through the VCC fund structure. Pass-through entities don't pay income taxes at the corporate level. Instead, corporate income is allocated among the owners, and income taxes are only levied at the individual owners' level.





TAX AND COMPLIANCE



The funds market is shifting towards onshoring structures to meet economic substance requirements, and the VCC is set to make Singapore increasingly attractive for domiciliation of funds and their management companies.

Leveraging Singapore's existing robust tax framework and incentive schemes for the fund management industry, the VCC seeks to complement the current schemes with simplified reporting requirements. Following are some of the ways in which the VCC can support better tax and compliance processes and opportunities.

TAX INCENTIVE SCHEMES

VCCs can make the most of Singapore's Enhanced Tier Fund (ETF) and Singapore Resident Fund (SRF) Tax incentive schemes under the Income Tax Act to gain tax exemptions for income from designated investments, such as holding on to securities and derivatives.

The requirements of the two tax exemption schemes are detailed in the next page.



TAX EXEMPTION REQUIREMENTS

	ETF (13U)	SRF (13O)
Tax residency	Fund can be constituted in Singapore or overseas	Must be tax resident of Singapore
Fund manager	Must be Singapore-based and hold a CMS licence Singapore fund manager that employs at least three investment professionals	Must be Singapore-based and hold a CMS licence
Regulatory approval	Requires MAS approval	
AUM	Minimum fund size of SGD 50 million	Minimum fund size of SGD 5 million
Expenditure condition	At least SGD 200,000 in local business spending in a year	At least SGD 200,000 in expenses in a financial year
Fund reporting requirement	None needed	Annual Statements to investors. Tax filing to IRAS for nonqualifying investors
Other reporting requirements	Annual MAS declaration Annual tax returns to IRAS	
Fund administration requirement	Requires a Singapore fund administrator	



AML/CFT OBLIGATIONS OF ENTRY AND EXIT

Regulatory changes have become the new normal in response to calls to track and end money laundering and terrorism funding activities, and the pace of change has been increasing at a speed where most fund managers and investors find it challenging to keep up.

For this reason, many fund managers can easily overlook some of the finer details of regulation – things like personal accountability, creating internal compliance processes and enforcement frameworks, and the impact of technology. Such liabilities are made even more complicated when both investors (funding) and investments cross multiple borders, resulting in heightened risk with limited awareness.

Working with a VCC framework helps to ease some of this regulatory and administrative burden by simplifying requirements.

The minimum annual compliance requirements for a VCC in Singapore

Similar to an incorporated company, a VCC is required to hold its Annual General Meeting (AGM) within six months from its financial year end. However, this can be dispensed if:

- Its directors give at least 60 days' written notice to the members before the last date on which the AGM must be held, or
- The VCC has sent the following documents to all persons entitled to receive notice of general meetings: a copy of the

financial statements or copies of the consolidated financial statements and balance sheet relating to the relevant financial year, and accompanied by the auditor's report on them, no later than five months after the end of the financial year.

AML/CFT obligations

All VCCs should comply with the MAS's Anti-Money Laundering (AML) and Combatting the Financing of Terrorism (CFT) requirements, and put in place robust controls to detect and deter the flow of illicit funds through Singapore's financial system.

VCCs need to identify and know their customers (including ultimate beneficial owners), conduct regular account reviews, and monitor and report any suspicious transactions promptly.

Directors should ensure internal policies and implementation of controls are in place relating to the following:

- Conducting risk assessment and risk mitigation
- Customer due diligence, including maintaining a register of beneficial owners
- Reliance on third parties by an eligible financial institution
- Record keeping
- Suspicious transaction reporting

CORPORATE INCOME TAX REQUIREMENTS FOR A VCC

To ease the compliance burden, an umbrella VCC will only need to file a single Corporate Income Tax (CIT) return with the Inland Revenue Authority of Singapore (IRAS), regardless of the number of sub-funds the umbrella VCC has.

Each VCC is also required to appoint an eligible financial institution (EFI) to conduct the necessary checks and perform the measures to enable the VCC

The current CIT rate is 17%.

to comply with its AML/CFT requirements under Singaporean law.

Each new VCC is eligible for the following tax exemptions:

- 75% exemption on the first SGD 100,000 of normal chargeable income*
- A further 50% exemption on the next SGD 100,000 of normal chargeable income*

