

Singapore Simplifies Rules for Managers of Venture Capital Funds

IN SHORT

The Situation: The Monetary Authority of Singapore ("MAS") has introduced a new simplified regulatory regime for managers ("VC Managers") of venture capital funds ("VC Funds").

The Impact: The new regime has simplified and shortened the authorization process and ongoing obligations for VC Managers. The regime recognizes the lower risks posed by VC Managers and VC Funds given their business model and sophisticated investor base and is designed to enhance the operating environment for VC Managers and VC Funds to play a greater role in supporting start-up and growth stage businesses in Singapore.

On October 20, 2017, the MAS introduced a new regulatory regime that has simplified and shortened the authorization process and ongoing reporting and compliance obligations for VC Managers. Prior to its introduction, VC Managers in Singapore were subject to the same regulatory framework as other licensed fund management companies.

What is a Venture Capital Fund?

To qualify for the regime, a VC Manager must solely manage VC Funds with the following characteristics:

- Invest solely in business ventures that are not listed on a securities exchange;
- Invest:
 - at least 80 percent of committed capital in securities that are directly issued by unlisted businesses that are no more than 10 years old at the time of initial investment; and
 - not more than 20 percent of committed capital in securities of other unlisted business ventures (i.e., such ventures may be more than 10 years old, and the investment may be made indirectly in the venture in the secondary market);
- The VC Funds must be "closed-ended" (i.e., units of the VC Funds must not be available for new subscription after the close of fund-raising, and they must be capable of being redeemed only at the end of the life of the VC Funds); and
- Units of the VC Funds must be offered only to accredited and/or institutional investors, as defined in the Securities and Futures Act, Chapter 289 of Singapore ("SFA").

The regime does not impose restrictions on: (i) the aggregate VC Fund size; (ii) the size of individual investments; (iii) the domicile of the VC Fund; or (iv) the use of leverage by the VC Fund. Accordingly, private equity managers will not be precluded from operating under the regime, as long as their VC Funds meet the criteria set out above. However, as only accredited and institutional investors may be offered units in such VC Funds, a manager of venture capital funds that permits employees (who are not accredited investors) to invest in such venture capital funds will not qualify for the regime.



VC Managers will not be subject to the same competency, capital, and ongoing business conduct requirements to which other licensed fund management companies are subject.



What are the Admission and Ongoing Requirements for VC Managers?

VC Managers will be required to:

- Have a permanent office in Singapore;
- Obtain a capital markets services ("CMS") license as a Venture Capital Fund Manager (see below);
- Satisfy the MAS's Fit and Proper Criteria with respect to its shareholders, directors, representatives, and employees;
- Disclose to investors that it is not subject to all of the regulatory requirements imposed on other licensed fund management companies; and

- Satisfy the existing anti-money laundering safeguards under the SFA.

In comparison to other fund management companies that are required to obtain a CMS license for their activities, to obtain a CMS license as a Venture Capital Fund Manager, VC Managers will not be required to have directors (and representatives) with at least five years of relevant experience in fund management. VC Managers also will not be subject to the same competency, capital, and ongoing business conduct requirements to which other licensed fund management companies are subject, including in relation to independent valuation, compliance capability, internal audit, risk management, custody of assets, conflicts of interest, and independent annual audit.

What Are the Next Steps?

New VC Managers may apply for a capital markets services license to operate as a VC Manager by submitting an "Application for a CMS license to operate as a Venture Capital Fund Manager" ("Form 1V") along with relevant supporting documents. Existing licensed fund management companies do not need to undergo a new licensing process and only need to notify MAS of their intention to change their status to a VC Manager by filing a Form 1V.

THREE KEY TAKEAWAYS

1. Singapore has introduced a new simplified regulatory regime for VC Managers to support start-up and growth stage businesses.
2. The regime clearly set outs the criteria for admission and the reduced ongoing obligations for VC Managers by comparison to other licensed fund management companies.
3. The new regime marks another positive legislative step designed to enhance Singapore's attractiveness as a global hub for fund management, a trend that looks set to continue with the proposed introduction of the Singapore Variable Capital Company (or S-VACC), which is currently under consultation.

CONTACTS



Dennis Barsky
Singapore



Ben Witherall
Singapore



Christopher Slack
Singapore



I-Ming Tan
Singapore

YOU MIGHT BE INTERESTED IN: [Go To All Recommendations >>](#)



[Initial Offerings - A Singapore Perspective](#)



[Announcement Clarifies Regulatory Position on Digital Token Offerings in Singapore](#)



[Singapore Promotes Corporate Transparency, Less Regulation, Easier Redomiciliation with Companies Act Amendments](#)

SUBSCRIBE

SUBSCRIBE TO RSS



Jones Day is a legal institution with more than 2,500 lawyers on five continents. We are One Firm WorldwideSM.

Disclaimer: Jones Day publications should not be construed as legal advice on any specific facts or circumstances. The contents are intended for general information purposes only and may not be quoted or referred to in any other publication or proceeding without the prior written consent of the Firm, to be given or withheld at our discretion. To request reprint permission for any of our publications, please use our "Contact Us" form, which can be found on our website at www.jonesday.com. The mailing of this publication is not intended to create, and receipt of it does not constitute, an attorney-client relationship. The views set forth herein are the personal views of the authors and do not necessarily reflect those of the Firm.

© 2017 Jones Day. All rights reserved. 51 Louisiana Avenue, N.W., Washington D.C. 20001-2113