



Venture Capital Fund Management Company

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Fund management activity in Singapore is a regulated business and is to be conducted via an entity set up either as branch of a foreign enterprise or a company incorporated in Singapore.

A fund management company that applies for a “license” can do so in three types of asset management business. The first meant for retail investors, a license that is only awarded to those entities that have experience in managing assets over SGD 1 billion for a consistent period of five years and more and the designated individuals have deep experience in managing assets professionally.

The second (Accredited Investors) is meant for managing assets for all types of investors other than retail investors and no limitation on asset classes.

The third type is meant for Venture capital businesses only.

There are exceptions for obtaining fund management license in Singapore, viz., those managing physical assets (real estate), those managing proprietary assets (such as Single-Family Offices or Pension funds or Sovereign wealth funds etc.) and those that already have a licensed entity in Singapore in other financial services businesses, such as banking, insurance etc.

The focus of this publication will be on Venture Capital Fund Management license, which is primarily applied for by those looking to work on venture capital funds business only. A general note that the licensing obligation for Venture Capital funds is generally lighter but its scope of operations is limited to managing venture capital *closed-ended funds* only.

What is the scope of a Venture Capital Fund Management License?

A VCFM is a fund management company holding a CMS licence issued by MAS that only manages venture capital funds. They are also restricted to serving only accredited and institutional

investors.

A fund is considered a venture capital fund if it meets the following criteria:

- a) the fund must invest at least 80% of committed capital (excluding fees and expenses) in specified products that are directly issued by an unlisted business venture that has been incorporated for no more than ten years at the time of initial investment.
- b) the fund may invest up to 20% of committed capital (excluding fees and expenses) in other unlisted business ventures that do not meet paragraph a), i.e., they have been incorporated for more than ten years at the time of the initial investment, and/or the investment is made through acquisitions from other investors in the secondary market.
- c) the fund must not be continuously available for subscription, and must not be redeemable at the discretion of the investor; and
- d) the fund is offered only to accredited investors and/or institutional investors.

It is pertinent to note here that VCFM does not have any assets under management quantitative limit or number of investors limitations. However, they are to manage venture capital investments via investment funds (closed-ended) and thereby restricted from club deals or managed accounts.

How many professionals are needed to set up a Venture Capital fund management company?

A VCFM must meet minimum staffing and competency requirements. The entity must have at least two professionals residing in Singapore, however, there are no competency requirements to be demonstrated for purposes of the application of the license. The senior management will be either in the capacity of executive director or CEO responsible for day-to-day operations of the company. The LFMC must have at least one in executive director function.

Do VCFM have to appoint qualified representatives?

VCFMs are exempted from appointing qualified representatives.

Are there capital requirements for a VCFM?

A VCFM does not have any capital or risk-based capital requirement.

What compliance arrangement are deemed necessary for a Venture Capital Fund Management company?

A VCFM is not required to statutorily maintain any compliance arrangement.

What are the compliance reporting obligations of a VCFM?

A VCFM must submit a form annually to the MAS. This form does not need to be audited by an

independent statutory auditor.

What are the ongoing requirements for a VCFM?

Though a VCFM has to meet a number of duties and obligations, there are quite a few dispensations compared to a licensed fund manager:

- A VCFM shall ensure that assets under management are subject to independent valuation and customer reporting. A third-party service provider, such as a fund administrator or custodian, perform the valuation; or an in-house fund valuation function that is segregated from the investment management function.
- A VCFM shall put in place mitigating measures to mitigate any conflicts of interest and, where appropriate, disclose any conflicts of interest to its customers.
- A VCFM shall not be obliged to have a risk management framework in place to identify, address, and monitor the risks associated with the customer assets it manages.
- A VCFM should ensure that there is adequate disclosure to its customers in respect of each fund or account that it manages. Disclosures should, at the minimum, cover; the investment policy and strategy, as well as risks associated with the strategy; the terms with respect to fees, termination or exit and, where applicable, gating, side-pocketing, lock-up or suspension of redemptions, including any penalties that may apply under such circumstances; the valuation policy and performance measurement standards. Where there are investments in hard-to-value or illiquid assets, the methodology and procedures for their valuation should be disclosed; the use of leverage, to the extent permitted by the investment mandate; the counterparties, brokers and prime brokers used by the fund or account; the custodians, fund administrators and/or auditors used by the fund or account; and the circumstances under which the fund or account can be terminated, as well as the processes for effecting such termination.
- A VCFM must comply with the requirements on anti-money laundering and countering the financing of terrorism (“AML/CFT”),
- Prior to entering into arrangements with service providers (such as a compliance service provider or a fund administrator), an FMC should take into account the requirements set out in the MAS guidelines on outsourcing.

Are Licensed VCFM subject to an audit requirement?

VCFM are not expected to have *external* audit arrangements in place for annual independent audits of their financial statements. Similarly, they are also not subject to any internal audit requirements.

Do the assets managed by a VCFM need to be independently custodised?

Assets managed by a venture capital funds need not be subject to independent custody. This is provided that the managed assets are not listed for quotation or quoted on an approved exchange, and the fund is offered only to accredited or institutional investors. An FMC that manages venture capital funds is required to fully comply with client segregation requirements in respect of client moneys.

What is the application procedure and timeline for licensing?

An aspiring VCFM may apply for licensing by submitting the relevant form to MAS through the Corporate e-Lodgment System. In general, MAS takes approximately up to 2 months to process and approve an application.

Once MAS has granted a CMS licence, the FMC has 6 months to commence business in fund management, which if not achieved, licence is revoked. The VCFM must submit relevant application forms, representative application forms, business profile of the company, organisation chart, any past audited financial statements of the group, group shareholding chart, are the documents amongst the many that need to be submitted to the MAS along with the application fee of SGD 1,000.

[You can find out more information about setting up a fund management business in singapore, and the different types of funds available, starting here.](#)

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Key Contacts



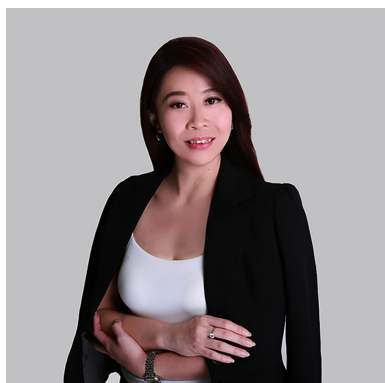
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