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Variable Capital Company ("VCC") – The Flexible Fund Vehicle For The Future

Those with alternative intent or those who do not fully appreciate the beauty and power of the VCC might have propagated the misunderstanding, misinterpretation, and falsehoods about its viability, flexibility, and the support the VCC receives from the Singapore regulator. Since its launch in January 2020, the VCC has been a resounding success. Our firm was privileged to be part of the VCC pilot programme and has since assisted clients in launching more than 170 VCCs (excluding sub-funds).

Key Features & Benefits of a VCC

The VCC is a unique legal structure that provides an attractive alternative to existing fund or collective investment scheme ("**CIS**") structures (*i.e.,* corporations, limited partnerships and unit trusts).

A VCC:

(a) is governed by the Variable Capital Companies Act 2018;

(b) is regulated by the Accounting and Corporate Regulatory Authority (for establishment and administrative purposes) and the Monetary Authority of Singapore ("**MAS**") (for Anti-Money Laundering/Countering the Financing of Terrorism ("**AML/CFT**") purposes);

(c) has only one constitution and one board of directors;

(d) has two main types of shares, namely management shares and participating shares;

(e) can be used as any of the following funds:

  (i) traditional or alternative funds;

  (ii) open-ended or closed-ended funds;

  (iii) retail or private funds; and

  (iv) standalone fund, or an umbrella entity with multiple sub-funds with segregated assets and liabilities;

(f) can vary its capital structure easily by redeeming shares and paying dividends out of its capital (in contrast with a corporate fund);

(g) must appoint a fund management company ("**FMC**") that is licensed by the MAS, or is an exempt financial institution in Singapore;

(h) must have sufficient mandatory Singapore substance (*i.e.,* Singapore registered office, Singapore resident company secretary and auditor, and at least one resident director);

(i) must meet minimum regulatory compliance requirements, *i.e.*:

  (i) at least one director must be a director or registered representative of the FMC;

  (ii) all directors must be fit and proper persons; and

  (iii) compliance with AML/CFT requirements, although these can be outsourced to the FMC of the VCC or a regulated financial institution in Singapore;

(j) can dispense with annual general meetings of its shareholders;

(k) can maintain only a private register of shareholders; and

(l) can use US GAAP, ASC Standard or IFRS, except for VCC offered to retail investors which must use RAP7.

Redomiciliation of Foreign Funds to VCC

Foreign corporate funds (*e.g.,* a Cayman segregated portfolio company or a BVI protected cell company) may redomicile to a VCC, if they have positive net assets and remain solvent within 12 months from the date of application. The applicant must submit the requisite forms and documentation for inward re-domiciliation.

VCC Offered to Retail Investors

VCCs offered to retail investors must meet additional requirements, including operational requirements for custodians, provisions to be included in a VCC constitution and certain VCC contractual agreements, and mandatory disclosures in VCC prospectuses. The custodian must safeguard the rights and interests of the VCC's shareholders and ensure the disclosure of the risk of cross-cell contagion to shareholders of VCCs. The custodian must also notify the MAS within three business days upon knowing any breaches of the VCC or the FMC, in relation to laws or regulations relating to the VCC or the FMC, take custody and control of all VCC assets, ensure all VCC assets are accounted for, and ensure all VCC assets are distinct from its own and those of its clients.

Tax Incentives

A VCC is treated as a company and a single entity for the purposes of tax. In addition, tax incentives applicable to funds under sections 13O and 13U of the Income Tax Act 1947 are extended to VCCs. The Financial Sector Incentive Scheme for fund management and GST remission for funds will also apply to VCCs, provided that all applicable incentive conditions are met.

Comparison with Offshore Funds

Contrary to market misconceptions about the shortcomings and uncertainties of the VCCs and other misinterpretations that the MAS is discouraging the use of VCCs (particularly following the MAS Circular No. IID04/2025 issued on 26 June 2025 to all licensed fund managers and exempt fund managers) ("June 2025 Circular"), we are of the view that the VCC is a finer, more flexible, compliant, clearly defined and future ready fund vehicle meant for investment funds based in an independent sustainable and safe international asset and wealth management centre. In our opinion and observation, the VCC's structure and features are very similar to the Cayman segregated portfolio company ("**SPC**"),and expect that it will be easier, faster, more convenient, and less expensive to operate and maintain a VCC over the charter life of the fund. Undoubtedly, there is more certainty and acceptability given that the VCC has genuine substance in a reputable onshore jurisdiction like Singapore. In addition, many of the regulatory (including AML/CFT and Common Reporting Standards) and substance requirements are already fulfilled by the Singapore regulated fund management company and the relevant financial institutions servicing the funds. The additional benefits are:

(a) having everything (including the process, documentation and professionals) located in one central business district in Singapore, a safe, stable and reputable international asset and wealth management hub;

(b) availability of a tax neutral fund structure pursuant to tax incentives approved in writing by the local regulators;

(c) benefits of more than 90 double tax agreements;

(d) substantial cost savings (*e.g.*, offshore directors, offshore agents, offshore registered office, offshore shell fund manager, hefty CIMA registration fees and annual fees); and

(e) greater certainty and predictability for regulations, substance requirements and reporting requirements compared to offshore jurisdictions.

We have observed a growing trend of clients including institutional investors and large family offices choosing Singapore as a structuring venue, investment fund and asset/wealth management jurisdiction. In recent times, banks and investors have a strong opinion on domiciling funds in reputable international financial centres.

Misunderstandings, Misinterpretations and Falsehoods

Misinformation has become widespread in recent years, and Singapore and the VCC are not exempt. With the increase in misleading public speculation within Singapore and various other jurisdictions after the June 2025 Circular, the VCC has been perceived to be dead, unworkable and discouraged by the MAS. This warped view is far from reality, and practitioners in the funds industry who regularly advise on and establish funds including VCCs, as well as astute and experienced fund managers, sponsors and seasoned investors will come to appreciate that the VCC has proven its resilience over time and will continue to withstand scrutiny and criticism.

In our opinion, the June 2025 Circular was not a signal from the MAS to undermine the VCC framework or the funds industry. Rather, it served as a timely reminder to licensed and exempt fund managers of their regulatory duties and responsibilities, on the importance of adhering to the regulatory requirements concerning customer due diligence, AML/CFT, and determining the source of funds and the source of wealth of customers and prospects. If anything, the Circular was aimed at safeguarding the integrity and reputation of Singapore's funds industry and financial system, and at preventing the misuse of fund structures, including VCCs, for improper purposes.

While the June 2025 Circular did refer to the VCC, this was only in the context of the MAS examining potential shortcomings in how certain fund managers were using VCC structures. It would be misguided to interpret the Circular based off assumptions as this could incorrectly suggest that (i) VCCs are subject to different treatment from other Singapore fund structures, such as limited partnerships, unit trusts, or companies, or (ii) VCCs are treated differently from funds established under foreign regimes, including those in the Cayman Islands, the BVI, Jersey, or Luxembourg.

There have also been some misinterpretations of the Circular that the VCC cannot be used as feeder fund, master fund, or fund of funds. These interpretations do not fully reflect the meaning or intended effect of the Circular. The VCC is inherently flexible and may be structured to perform these functions. It should likewise be permissible for a VCC to be used to invest in a single investment, asset, or project, such as an unlisted company, real estate, another fund, or an infrastructure project, where there are bona fide commercial reasons for doing so.

Moving Forward

With the growing number of institutional funds, sovereign wealth funds, financial institutions and family offices looking to expand globally and diversify, a flexible future ready fund vehicle like the VCC established in a safe and stable environment like Singapore offers a highly viable and attractive option. Foreign fund managers can apply for the Capital Markets Services Licence for fund management in Singapore to launch and manage VCCs. Alternatively, they can work with licensed fund managers to co-manage or sub-manage the VCC. With proper structuring and experienced professional advice, these solutions can prove effective.

A VCC can be used by fund/asset managers, wealth managers, private equity/real estate/venture capital managers and multi-family offices. With appropriate structuring and the appointment of a licensed fund manager or licensed bank in Singapore, the VCC can serve as an effective structure for single-family offices. It can also be used for traditional, alternative, private equity/real estate/venture capital funds, or even retail unit trust alternatives. The VCC is flexible and enabling, encouraging the investors and fund managers to be creative to distinguish themselves from the pack, to continue to use the Singapore brand and eco-system to implement or augment their international strategies and plans.

We anticipate continued growth in the acceptance and adoption of the VCC. With Singapore ideally positioned as a premier financial hub, the VCC is a fund vehicle poised for widespread use well into the future.

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