



PwC's Briefing for Venture Capital Managers

New Regulatory Regime for Venture Capital Fund Managers



Contents

Industry Overview	3
Timeline	5
MAS Consultaton Paper	7
Key Highlights of the new regulatory regime	11
Next Steps	19
Thank you and questions	22

Industry Overview

Industry Overview

- Singapore is home to approx. **157 VC firms** out of a total of 246 in SEA
- Ranked as the **best start-up ecosystem in the SE Asia**
- Home to **3 of the top 10 deals** in Asia in 2017

- 2017 has seen a record value in **VC investments in Singapore totalling US\$4.2b**, up US\$0.7b from US\$3.5b the previous year. The 3 mega deals involving Grab, Lazada & SEA contributed to this record



- The new VC manager regime is a **simplification** of the **Authorisation Process and Regulatory Regime** for VC fund managers

Source: <https://www.preqin.com/docs/reports/Preqin-Venture-Capital-Southeast-Asia-September-2017.pdf>

Timeline

Roadmap to VC Manager regime

10 Nov 2016

MAS announces that they are going to review the regulatory regime for VCs

15 Feb 2017

Release of proposed change to regulatory regime consultation paper

20 Oct 2017

Implementation of the regulatory regime and consequential legislative amendments to the relevant Regulations and Notices with immediate effect

13 Feb 2017

Ministry of Trade and Industry (MTI) releases the Committee on Future Economy

25 Oct 2016

Singapore Venture Capital Association White Paper

15 Mar 2017

PwC & SVCA submits an industry response to the regulatory regime consultation paper

MAS Consultation Paper

Summary of Questions from MAS's Consultation Paper



1. MAS seeks comments on the introduction of a simplified authorisation and regulatory regime for VC Managers.
2. MAS seeks views and suggestions on the proposed criteria to differentiate VC managers from other types of fund managers.
3. MAS seeks views on whether restrictions should be placed on the use of leverage in VC funds and if so, the extent to which leverage should be allowed.
4. MAS seeks views on the requirements under the proposed VC Manager Regime.
5. MAS seeks comments on the proposed implementation approach for existing licensed fund managers or RFMCs that manage VC funds and meet the proposed criteria.
6. MAS seeks views on the proposed legislative amendments at Annexes C to F.

Summary of key responses to the MAS Consultation Paper released in Feb 2017

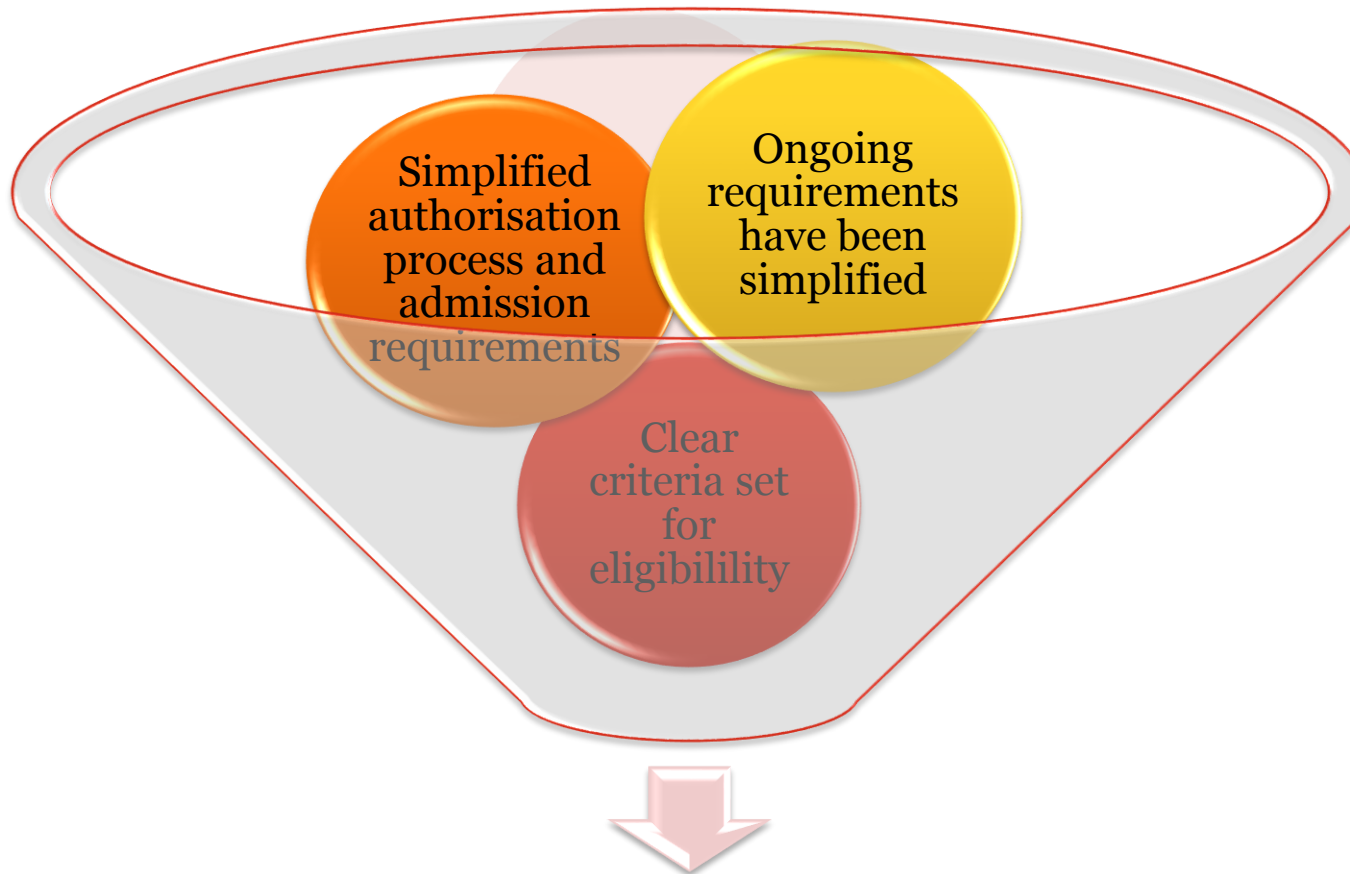
Feedback to MAS' Consultation Paper	Regime for Managers of Venture Capital Funds
<i>Reconsider the proposed 5 year definition of an early stage company</i>	An early stage company is defined as one that has been incorporated for not more than 10 years.
<i>Impose an overall cap (based on a % of total investments) on "non-qualifying investments"</i>	80:20 Rule on how committed capital may be allocated between early stage companies and non-early stage companies.
<i>Extend the proposed VC manager regime to include PE managers</i>	PE managers will not be excluded from operating under the VC Manager regime as long as they are able to meet the specified criteria.
<i>No risk-based capital or base capital requirements.</i>	No prescription on competency, capital and ongoing business conduct requirements on VC managers under the VC Manager Regime.
<i>Will the following business conduct requirements not apply to VC managers:</i> <ul style="list-style-type: none"> • <i>Compliance with outsourcing guidelines;</i> • <i>Compliance with personal account dealing requirements;</i> • <i>Requirement for monthly account statement;</i> • <i>Custodian requirements; and</i> • <i>Business continuity requirements</i> 	

Summary of key responses to the MAS Consultation Paper released in Feb 2017

Feedback to MAS' Consultation Paper	Regime for Managers of Venture Capital Funds
<i>Agreed with requirement to have either Accredited Investors ("AI") and/or Institutional Investors ("II") as investors</i>	VC Managers can only accept AIs and/or IIs as investors.
<i>Permit VC funds to be offered to employees and affiliates of VC managers that may not otherwise qualify as AIs</i>	Not permitted.
<i>No restrictions on the use of leverage in VC funds and at the investee company level</i>	No restriction on leverage.
<i>Impose minimum track record and experience requirement for directors and representatives, however experience should not be limited to fund management experience</i>	No minimum track record or experience requirement, but will be subjected to Fit and Proper criteria.
<i>Would VC managers regulated under the current regime be able to migrate to the new VC Manager regime via written notification</i>	Notification process.
<i>Clarification that VC funds "cannot be continuously available for subscription"</i>	Must be closed ended and must not be redeemable at the discretion of the investor.

Key Highlights of the New Regulatory Regime

Key Highlights



New Regulatory Regime for Venture Capital Fund Managers takes effect immediately

The authorisation process has been simplified

The existing admission criteria will be removed as part of the application process



Minimum base capital

REMOVED



Track record and experience of Directors and Representatives (at least 5 years of relevant fund management experience)

Information on compliance and audit arrangements not required

IMPORTANT

Ongoing requirements have been simplified

Competency, capital and ongoing business conduct requirements will not be prescribed on VC managers at this point in time

Holds a Capital Markets Services License

- Fund Management

Fit & Proper Criteria

- VC Fund Manager
- Shareholders
- Directors
- Representatives & Employees

Place of Incorporation

- Singapore incorporated company
- Permanent physical office

Disclosure to investors

- NOT subject to all regulatory requirements imposed on other FMCs

AML/CFT requirements

- Comply with MAS AML/CFT Notice and Guidelines

Submit Periodic Returns to MAS

- Form 25A Annual Declaration for VCFMs
- Form 23A Notification of Change of VCFM's particulars

Clear qualifying criteria for VC Funds



Investors

Only offered to **end investors** who are Accredited and/or Institutional Investors

Note: Employees who are not accredited investors cannot invest



Unlisted Business Ventures

(80/20 Rule @ the point of initial investment)

- Minimum 80% invested in unlisted businesses that have been incorporated < 10 years
- Maximum 20% invested in unlisted businesses that have been incorporated for > 10 years and/or investment is made through acquisitions from other investors (e.g. other VC funds and existing owners) in secondary market.

Note: 10 year criterion applies to the operating portfolio company



Fund Raising

- Must not be continuously available for subscription
- Can only be redeemed at the end of the fund's life



Use of leverage in VC funds

No restriction on leverage

Definition of Venture Capital Fund Manager

“Venture capital fund manager” means a holder of a **capital markets services license for fund management** under the Securities and Futures Act (Cap. 289) who does not carry on business **in any regulated activity** (as defined in that Act) **other than** the **management of portfolios of securities on behalf of venture capital funds.**”

Extracted from Securities and Futures (Licensing and Conduct of Business) Regulations - Regulation 14

Next Steps

What do you need to do now?

1. Perform a review of your existing portfolio companies to assess your eligibility based on the following criteria:

- 80/20 rule;
- No new subscription after the close of fund raising and redemption should only be available at the end of the fund life; and
- Offered to Accredited Investors and Institutional Investors only

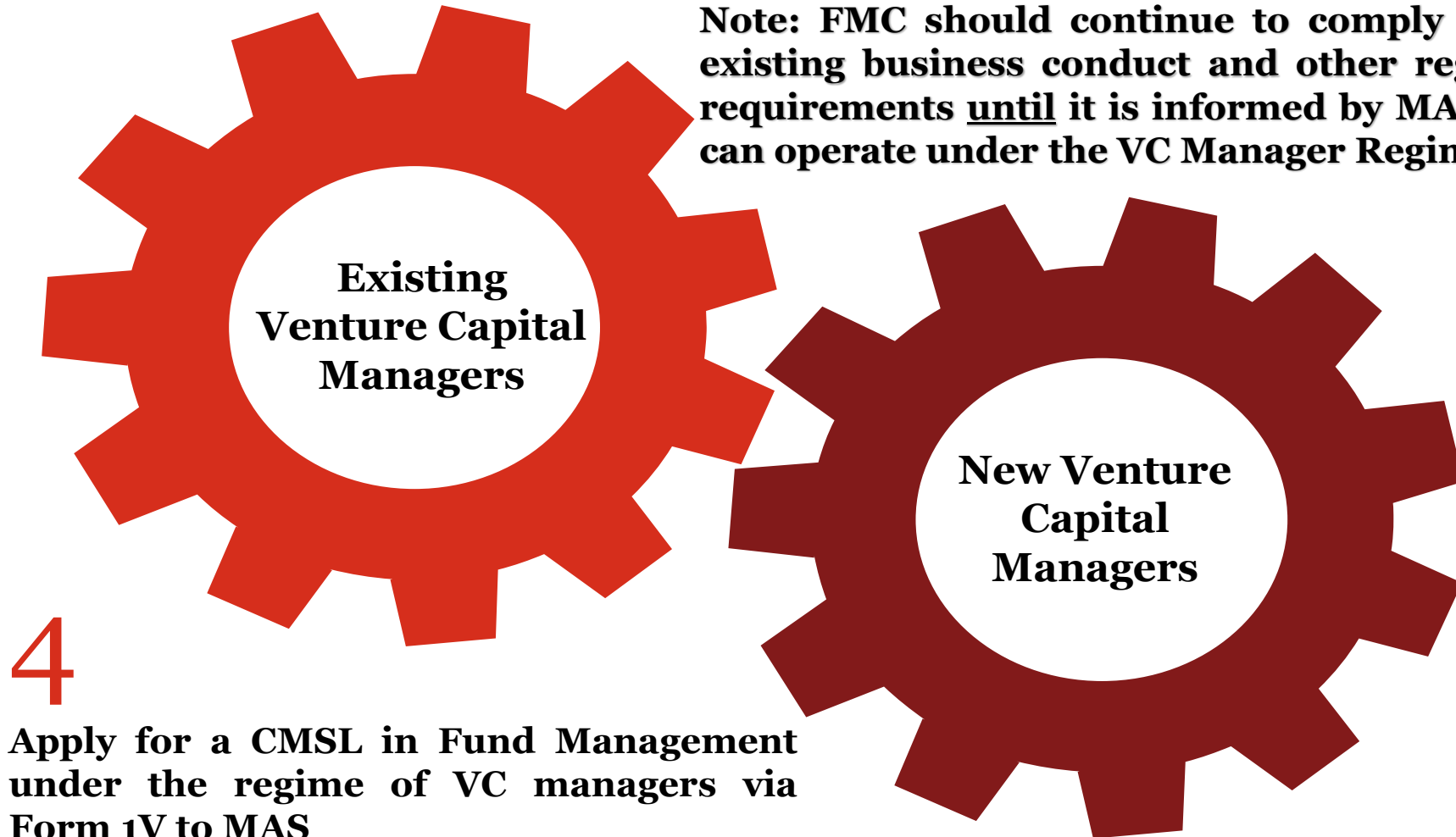
2. Perform a review of your existing operational and compliance framework to assess whether it meets the minimum requirements as follows:

- Compliance with eligibility criteria e.g. accredited investors
- Fitness and proper screening for its shareholders, directors, CEO and representatives;
- AML/CFT framework in place including policies and procedures, checklists and registers;
- Framework to support annual declaration in Form 25A

What do you need to do now? (cont'd)

3 Notify MAS with Form 1V

Note: FMC should continue to comply with all existing business conduct and other regulatory requirements until it is informed by MAS that it can operate under the VC Manager Regime.



4

Apply for a CMSL in Fund Management under the regime of VC managers via Form 1V to MAS

Thank you and Questions

Key Contact points

Paul Pak

Partner, Asset & Wealth
Management, Risk and
Regulatory Advisory
Services Leader
+65 6236 3288



Patrick Yeo

Partner, PwC's
Venture Hub Leader
+65 6236 3088
patrick.hc.yeo@sg.pwc.com



Magdalene Hoong

Deputy Head, Compliance
Support Services
+65 62364472
Magdalene.wl.hoong@sg.
pwc.com



David Fowler

Senior Manager, PwC's
Venture Hub
+65 6236 4064
david.a.fowler@sg.pwc.com



Dave Heng

Senior Manager, Regulatory
Advisory Services
+65 6236 4330
dave.sh.heng@sg.pwc.com





© 2017 PricewaterhouseCoopers LLP. All rights reserved. In this document, “PwC” refers to PricewaterhouseCoopers LLP or, as the context requires, the PricewaterhouseCoopers global network or other member firms of the network, each of which is a separate legal entity.