

# **PwC Straight Away - MAS Regulatory Regime for Managers of Venture Capital Funds**

## **Background**

The Monetary Authority of Singapore (“MAS”) released the much anticipated regulatory regime for managers of venture capital funds (“VC Managers”) and the consequential legislative amendments to the relevant Regulations and Notices on **20 October 2017** with immediate effect. This follows the public consultation which ended on 15 March 2017.

The Venture Capital Fund Managers (“VCFMs”) Regulatory Regime sets clear criteria for entry into the regime and ongoing obligations for licensed VC managers.

## **Key points to note**

Currently, VC managers are subject to the same regulatory framework as Licensed Fund Management Companies (“LFMCs”) or Registered Fund Management Companies (“RFMCs”). The new regulatory regime will simplify and shorten the authorisation process for VC managers.

### **1. Simplified Admission and Ongoing Requirements**

#### **Incorporated in Singapore**

- Permanent office

#### **Capital Markets Services Licence**

- Fund Management

#### **Fit & Proper Criteria**

- Shareholders
- Directors
- Representatives & Employees

#### **Disclosure to Investors**

- VCFM is NOT subject to all regulatory requirements imposed on other fund management companies

#### **AML/CFT Requirements**

- Comply with MAS AML/CFT Notice and Guidelines

#### **Periodic Returns**

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

## **Key areas to take note of for new VCFMs and for LFMCs and RFMCs who qualify for the VCFM Regulatory Regime, are as follows:**

MAS will no longer require VC managers to have directors and representatives with at least five years of relevant experience in fund management. VC managers will not be subject to the capital requirements and business conduct rules that currently apply to other fund managers. With regards to business conduct rules, it is no longer mandatory for VC managers to satisfy MAS with regards to the following ongoing business conduct requirements:

- independent valuation;
- compliance capability;
- internal audit;
- risk management;
- custody of assets;
- conflicts of interest; and
- independent annual audit

## 2. Key qualifying criteria for a Venture Capital Fund



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### Investors

Only offered to Accredited and/or Institutional Investors under Section 4A of the Securities & Futures Act

### Unlisted Business Ventures

*(80:20 Rule applicable at point of initial investment)*

- Minimum 80% invested in unlisted businesses that have been incorporated for < 10 years
- Maximum 20% invested in unlisted businesses that have been incorporated for > 10 years

### Fund Raising

There will not be a prescribed period for fund raising but VC funds cannot be continuously available for subscription after the final close of fund raising, and can only be redeemed at the end of the fund

### Use of Leverage in VC funds

No restriction on leverage

## What do you need to do now?

### Existing VC managers

- Notify MAS of intention to be a VC manager via Form 1V - Application for a CMS licence to operate as a VCFM

### New VC managers

- Apply for a Capital Markets Services (“CMS”) licence to operate as a VCFM via Form 1V

## How can PwC help?

PwC has been at the forefront in engaging the Venture Capital industry stakeholders to produce a response together with the Singapore Venture Capital Association to the Consultation Paper.

PwC has a dedicated team that can help you:

- Assess your eligibility to qualify for the VCFM Regime;
- Apply for a CMS licence to operate as a VCFM, develop the minimum compliance framework and provide the relevant training needed from Day 1; and
- Support your annual declaration to the MAS by conducting a review of your minimum compliance obligations.

## Contact us

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## More information

