

# PLANNING YOUR ROUTE

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## SINGAPORE

**GUIDE TO INVESTMENT VEHICLES  
FOR INSTITUTIONAL INVESTORS**



**BNP PARIBAS**

The bank  
for a changing  
world



**LUC RENARD**

—  
Head of Southeast Asia,  
Securities Services,  
BNP Paribas

## FOREWORD

As investment managers look to capture alternative sources of yield and diversify their investor base, cross-border fund distribution continues to offer a key route to growth and profitability. Investment in private assets has continued to grow from strength to strength in recent years, and several fund vehicles and regimes have been introduced or renewed in key jurisdictions.

In this guide, we provide you with a concise overview of the key fund vehicles in Singapore, in order to help you identify the most appropriate fund vehicles to suit your distribution strategy.

In Southeast Asia, Singapore is the Bank's hub for Southeast Asia, where it has been present since 1968. In addition to a complete range of banking services, we offer asset service solutions for liquid alternatives, private assets and traditional investments and have grown along with the development of Singapore as a major fund centre.

Discover our Singapore market expertise and dedicated suite of services for asset managers. Should you require further information on Luxembourg, Ireland, Hong Kong or any other jurisdiction across the world, please contact your relationship manager.

# SINGAPORE: OUR SERVICES

Since 2008, we have become one of the leading providers of securities and asset services in Singapore.

We have comprehensive securities services expertise in fund administration, trustee, in Singaporean fund distribution vehicles and regional Asian fund schemes enabling investments in traditional, private capital or liquid alternatives funds.

Leveraging Singapore's status as a regional fund distribution hub, we support our clients to expand to and from Asia into this fast-growing region and globally.

## OUR MAIN SERVICES

### CORE SERVICES

In addition to our comprehensive custody offer, we deliver the full suite of services for funds: fund administration, middle office, transfer agency for local or cross-border distribution, trustee, fund dealing services, derivatives execution and clearing, as well as performance, risk and ESG analytics.

We cover all asset classes, from traditional to liquid alternatives/hedge funds, as well as private debt, private equity, real estate and infrastructure.

We can also support clients with an integrated banking offer encompassing forex, share class hedging, securities lending, cash and collateral management, liquidity and financing solutions for funds.

### MARKET-SPECIFIC SERVICES

- Full suite of solutions for Variable Capital Company (VCC) (open and closed ended schemes), Collective Investment schemes (CIS) (restricted and authorised), all types of Singaporean funds eligible under the ASEAN CIS framework, common trust funds, common fund structure for alternatives clients
- Support for cross-border fund distribution in Singapore, Malaysia and Thailand -through our transfer agency's connectivity with local distributors-, and in Europe
- Full end-to-end servicing for private capital funds, from fund administration to limited partners management
- Financing solutions embedded within our administration offer
- Shariah custody solution offering a return mechanism on cash balances
- Systematic performance fee calculation for hedge funds
- Investor services for alternatives: AML/KYC for investors, fund and investor registry, reporting including capital account statements to investors and FATCA/AEOI reporting support

# WHAT MAKES US DIFFERENT



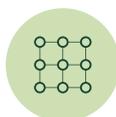
**A COMPLETE BANKING SOLUTION, INCLUDING MARKET, FINANCING AND PRIME BROKER SOLUTIONS**



**EXTENSIVE LOCAL EXPERIENCE, IN ALL LOCAL AND REGIONAL FUND SCHEMES AND ETF SERVICING, WITH ON-THE-GROUND SPECIALISTS TO SUPPORT OUR CLIENTS IN THEIR TIME ZONE**



**STRONG EXPERTISE IN TRUSTEE AND DEPOSITORY SERVICES TO HELP CLIENTS NAVIGATE IN EVER-CHANGING REGULATORY MARKETS**



**ROBUST CONTROL FRAMEWORK WITH FOCUS ON OVERSIGHT TO ACHIEVE OPERATIONAL RESILIENCY**



**COMPREHENSIVE GLOBAL CUSTODY SOLUTIONS WITH GLOBAL REACH IN OVER 90 MARKETS**



**MULTI-AWARD WINNING CLIENT SERVICE EXPERIENCE, WITH AMONG OTHERS**

- Best Fund Administrator Alternatives by The Asset in 2019, 2020 and 2021
- Fund Administrator of the Year and Custodian of the Year in Asia Pacific by The Asset Servicing Times in 2021 (industry excellence awards)
- Best Fund Trustee by The Asset in 2021 and 2022
- The Asset - Best Fund Administrator Mandates in 2020, 2021 and 2022

Our commitment to the market is evidenced by the awards won over the years and our experts' active participation with the regulatory body and industry associations to support developments in the Singapore market.

Our team of 160+ local experts is strongly supported by our global infrastructure to ensure robust follow-the-sun processes.



**TRADITIONAL  
ASSETS**

# FUND VEHICLES FOR TRADITIONAL ASSETS

## SINGAPORE ENVIRONMENT

### A FUND REGIME WITH MODERN STRUCTURING ALTERNATIVES...

- Mutual funds or Exchange Traded Funds (ETFs) can be marketed to all types of investors
- Funds can be structured as unit trusts or Variable Capital Companies (VCCs)
- Specific sets of rules for money market funds, capital-guaranteed funds and index-tracking funds

### ...WITH HIGH STANDARDS IN A BUSINESS-FRIENDLY ENVIRONMENT

- Fund management companies must be registered with the Monetary Authority of Singapore (MAS), as a Licensed Fund Management Company (LFMC), Registered Fund Management Company (RFMC), or Venture Capital Fund Manager (VCFM) to carry out regulated activities with various types of investors
- A custodian and local administrator are mandatory
- Subject to standards related to
  - Compliance and oversight requirements
  - Detailed investment rules (asset eligibility, concentration, diversification, derivatives and efficient portfolio management techniques)
  - Borrowing restrictions (10% limit, redemption payments to be made within one month of a redemption request)
  - Singapore Financial Reporting Standards and Recommended Accounting Practice (RAP 7), with at least monthly net asset value calculation and disclosure requirements (prospectus, half-yearly financial statement, audited annual financial statement)
- Eligible for the cross border offers of Collective Investment Schemes within the Association of Southeast Asian Nations ("ASEAN CIS") along with Malaysia, Thailand and Philippines
- Tax incentives schemes are available, subject to qualifying conditions
- A full member of the Organisation for Economic Cooperation and Development (OECD) and Financial Action Task Force (FATF) with an extensive network of double tax agreements and bilateral investment treaties

### SUSTAINABLE FINANCE: THE STATE OF PLAY

According to a survey conducted by the Monetary Authority of Singapore (MAS) in 2020, 40% of assets managed in Singapore incorporated environmental, social or governance (ESG) factors.

In December 2020, the Monetary Authority of Singapore (MAS) issued Guidelines on Environmental Risk Management applying to asset managers and covering governance and strategy, research and portfolio composition, portfolio risk management, stewardship and disclosure. A Singapore taxonomy is being developed to strengthen the quality and comparability of sustainability disclosure with a focus on interoperability with foreign taxonomies.

## KEY FIGURES<sup>1</sup>



**SGD 4.7 TRILLION**  
OF ASSETS UNDER  
MANAGEMENT



**15% INCREASE**  
IN ASSETS UNDER  
MANAGEMENT IN  
TRADITIONAL SEGMENT



**78%**  
OF ASSETS UNDER  
MANAGEMENT SOURCED  
FROM OUTSIDE SINGAPORE



**400+ VCCs**  
INCORPORATED SINCE 2020

<sup>1</sup> Monetary Authority of Singapore

## USEFUL LINKS

### SUPERVISOR

[Monetary Authority of  
Singapore \(mas.gov.sg\)](https://www.mas.gov.sg)

### STOCK EXCHANGE

[Singapore Exchange -  
Singapore Exchange \(SGX\)](https://www.sgx.com)

### LOCAL PROMOTION AGENCY

[singapore-funds  
\(singaporefunds.sg\)](https://www.singapore-funds.com)

### INDUSTRY ASSOCIATION

<https://imas.org.sg>

## UNIT TRUSTS

### TRUSTEES ACT | CIS CODE

- No separate legal personality; the trustee is liable for the debt and obligations of the unit trust
- The unit trust property is vested in a trustee who acts as the custodian and follows instructions from the manager
- Unit holders are entitled to a share of distributions. Distributions may be paid out of operating cash flows
- Under certain conditions, including business expenditures of at least SGD 200,000 and a minimum of SGD 50 million of assets under management (amount or committed funds), a unit trust can qualify for income tax exemption on its investments

### **MARKET INSIGHT:**

Historically, unit trusts have been the preferred structure for retail funds due to the flexibility they offer for subscriptions and redemptions. They remain a well-known and widely used structure in the domestic market.

# VARIABLE CAPITAL COMPANIES (VCC)

## VARIABLE CAPITAL COMPANIES ACT 2018 | CIS CODE

- A VCC can be set up as a standalone fund or as an umbrella fund with sub-funds or in master feeder fund structures
- A sub-fund's assets and liabilities are legally segregated from those of other sub-funds and of the VCC itself
- It is possible to re-domicile a foreign fund as a VCC
- At least three directors are required including one independent director and one local resident
- A custodian that is an approved trustee must be appointed
- Possible use of International Financial Reporting Standards (IFRS) or United States Generally Accepted Accounting Principles (GAAPs)
- A VCC can potentially be eligible for double tax agreements and is eligible for income tax exemptions

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### **MARKET INSIGHT:**

VCCs are extremely popular with fund promoters who can have different strategies for different sub-funds under one umbrella, and reduce administrative costs through shared functions and providers.

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**PRIVATE  
ASSETS**

# FUND VEHICLES FOR PRIVATE ASSETS

## SINGAPORE ENVIRONMENT

### DIVERSE FUND STRUCTURING ALTERNATIVES AND PRACTICES...

- Private equity, private credit, closed-ended real estate or infrastructure funds can be structured as limited partnerships, Variable Capital Companies (VCCs) or private limited companies
- Limited partnerships from offshore centres are also commonly used, notably as feeders of Singapore master corporate funds which can qualify for double taxation agreements

### ...WITH A RANGE OF FLEXIBLE OPTIONS

- Requirements applicable to the manager - which can be either a Licensed Fund Management Company (LFMC) or Registered Fund Management Company (RFMC) - are proportionate to the number of qualified investors and assets under management (maximum of 30 investors, of which no more than 15 can be funds or limited partnerships for RFMC, and less than SGD 250 million of assets under management)
- Fund managers managing real assets can benefit from a licensing exemption
- Singapore private capital funds can either be:
  - Approved as an authorised scheme required to register a prospectus, or
  - Exempt from authorisation and prospectus registration, when offers are made exclusively to qualified investors or through private placement
- No legal minimum or maximum investment periods, amounts or transfers of investment in fund

### SUSTAINABLE FINANCE: THE STATE OF PLAY

According to a survey conducted by the Monetary Authority of Singapore (MAS) in 2020, 40% of assets managed in Singapore incorporated environmental, social or governance (ESG) factors.

In December 2020, the Monetary Authority of Singapore (MAS) issued Guidelines on Environmental Risk Management applying to asset managers and covering governance and strategy, research and portfolio composition, portfolio risk management, stewardship and disclosure. A Singapore taxonomy is currently being developed to strengthen the quality and comparability of sustainability disclosure with a focus on interoperability with foreign taxonomies.

## KEY FIGURES<sup>1</sup>



**SGD 4.1 TRILLION**  
FUNDING GAP IN SMALL- AND  
MEDIUM- SIZED COMPANIES IN  
ASIA-PACIFIC



**23%**  
COMPOUND ANNUAL GROWTH  
RATE IN PRIVATE EQUITY/  
VENTURE CAPITAL FUNDS' AUM



**600% INCREASE**  
IN INFRASTRUCTURE  
INVESTMENTS SINCE 2015



**1000+**  
FINTECHS BASED IN  
SINGAPORE

<sup>1</sup> 2020 Survey of Monetary Authority of Singapore, Private Credit in Asia (2020) AIMA Report, produced in conjunction with Alternatives Credit Council (ACC), Simmons & Simmons, and EY

## USEFUL LINKS

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### INDUSTRY ASSOCIATION

<https://imas.org.sg>

## LIMITED PARTNERSHIPS

- Mostly governed by the limited partnership agreement (e.g. investment restrictions, removal of the General Partner and the manager, distribution waterfall)
- No legal requirement to appoint a legal director but a local manager must be appointed if the General Partner is not a Singapore resident
- Free from legal constraints to return capital and distribute profits
- Tax transparent vehicle for income tax purpose
- No requirement to make financial statements publicly available
- Information on Limited Partners can be kept confidential if certain conditions are met

### MARKET INSIGHT:

Limited partnership is the most common structure for private capital funds. However, Singapore managers often favour offshore centres' limited partnerships over the Singapore partnership introduced in 2009, despite many common features.

## COMPANIES

- Companies have legal personality, are subject to tax and therefore eligible to the double taxation agreement  
Companies are required to appoint a local director and a company secretary
  - Shareholder information and financial statements are publicly available, unless certain exemptions apply
  - Shares can be redeemed out of capital provided they are fully paid and if directors make a solvency statement
  - Dividends may be paid out of distributable profits calculated across all business lines on a consolidated basis
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### MARKET INSIGHT:

Despite corporate law constraints, private limited companies continue to be used by some managers, notably private credit managers, who seek a well-regulated and taxable vehicle on a standalone basis or as a master fund.

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## VARIABLE CAPITAL COMPANIES (VCC)

### VARIABLE CAPITAL COMPANIES ACT 2018 | CIS CODE

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  - Possible use of International Financial Reporting Standards (IFRS) or United States Generally Accepted Accounting Principles (GAAPs)
  - A VCC can potentially be eligible for double tax agreements and is eligible for income tax exemptions
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### MARKET INSIGHT:

VCCs are extremely popular with fund promoters who can have different strategies for different sub-funds under one umbrella, and reduce administrative costs through shared functions and providers.

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# UNIT TRUSTS

## TRUSTEES ACT | CIS CODE

- No separate legal personality; the trustee is liable for the debt and obligations of the unit trust
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- Unit holders are entitled to share of distributions. Distributions may be paid out of operating cash flows
- Under certain conditions, including business expenditures of at least SGD 200,000 and a minimum of SGD 50 million of assets under management (amount or committed funds), a unit trust can qualify for income tax exemption on its investments

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### **MARKET INSIGHT:**

The unit trust is an increasingly popular structure with sponsors of private funds. One of the exit strategies is to list the private fund as a registered business trust or a real estate investment trust on the Singapore Stock Exchange.

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**LIQUID  
ALTERNATIVES**

# FUND VEHICLES FOR LIQUID ALTERNATIVES

## SINGAPORE ENVIRONMENT

### AN ARRAY OF DEDICATED REGIMES FOR LIQUID ALTERNATIVE STRATEGIES...

- Hedge funds and funds of hedge funds (FoHF) can be structured as variable capital companies (VCC) or limited partnerships
- Either as a stand-alone or as an umbrella fund with multiple sub-funds

### ...WITH FLEXIBLE RULES TAILORED FOR SPECIFIC PRODUCTS AND DISTRIBUTION MODELS

- No vehicle authorisation required but registration on the list of restricted schemes is possible provided that:
  - The offer is made in or accompanied by an information memorandum that contains salient information about the restricted scheme, and
  - The manager is licensed or regulated to manage the scheme assets in the jurisdiction of its principal place of business and is fit and proper
- No investment or borrowing restrictions
- Can only be offered to relevant persons (including accredited investors) or at a minimum of SGD 200,000 per transaction

### SUSTAINABLE FINANCE: THE STATE OF PLAY

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In December 2020, the Monetary Authority of Singapore (MAS) issued Guidelines on Environmental Risk Management applying to asset managers and covering governance and strategy, research and portfolio composition, portfolio risk management, stewardship and disclosure. A Singapore taxonomy is currently being developed to strengthen the quality and comparability of sustainability disclosure with a focus on interoperability with foreign taxonomies.

## KEY FIGURES<sup>1</sup>



**SGD 197 BILLION**  
OF ASSETS UNDER MANAGEMENT  
IN HEDGE FUNDS



**78%**  
OF ASSETS UNDER MANAGEMENT  
SOURCED FROM OUTSIDE SINGAPORE



**20% OF VCCs**  
ARE HEDGE FUNDS

<sup>1</sup>Monetary Authority of Singapore

# USEFUL LINKS

## SUPERVISOR

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- A custodian that is an approved trustee must be appointed
- Possible use of International Financial Reporting Standards (IFRS) or United States Generally Accepted Accounting Principles (GAAPs)
- A VCC can potentially be eligible for double tax agreements and is eligible for income tax exemptions

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### MARKET INSIGHT:

VCCs are extremely popular recently with fund promoters who can have different strategies for different sub-funds under one umbrella and can therefore - through common functions and providers- reduce tax compliance burden and administrative costs. Recent schemes provide incentives to asset managers to set up a hedge fund based in Singapore or re-domicile their hedge fund back to Singapore.

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## LIMITED PARTNERSHIPS (LP)

- Tax transparent vehicle for income tax purpose
- Mostly governed (e.g. investment restrictions, removal of the general partner and the manager, distribution waterfall) by the limited partnership agreement
- No legal requirement to appoint a local director but a local manager must be appointed if the general partner is not a Singapore resident
- Free from legal constraints to return capital and distribute profits
- No requirement to make financial statements publicly available
- Information on limited partners can be kept confidential if certain conditions are met

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### **MARKET INSIGHT:**

Despite many common features, Singapore managers often favour Limited Partnerships from other offshore fund centres over Singapore Partnership introduced in 2009.

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FOR ADDITIONAL INFORMATION, PLEASE CONTACT



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