

## **A7 Requirements for Venture Capital Fund Managers**

This Annex sets out the admission criteria, ongoing requirements and application procedures for FMCs that intend to operate under the Venture Capital Fund Manager [“VCFM”] Regime.

**7.1 Fund Eligibility** – Under the regime, a VCFM may only manage funds that meet the following criteria:

- (i) 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 (“qualifying investments”). Any follow-on investment in such qualifying investments will remain as qualifying, even if the portfolio company has been incorporated for more than ten years at the point of follow-on investment;
- (ii) invest up to 20% of committed capital (excluding fees and expenses) in other unlisted business ventures that do not meet sub-criterion (i), 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 (“non-qualifying investments”);
- (iii) the funds must not be continuously available for subscription, and must not be redeemable at the discretion of the investor; and
- (iv) the funds are offered only to accredited investors as defined under the SFA or investors in an equivalent class under the laws of the country where the offer is made, and/or institutional investors, except as allowed under paragraph 2.2.2(ii).

For the avoidance of doubt, a VCFM’s funds can only make investments (non-qualifying or otherwise) in unlisted assets. The funds cannot invest in listed securities or initial public offerings. However, this does not preclude a VCFM’s funds from holding listed securities in portfolio companies, provided that the fund had acquired these securities prior to their listing. VCFMs are not expected to reclassify an investment from qualifying to non-qualifying if its portfolio company’s securities become listed.

Allowing 20% of committed capital to be invested in non-qualifying investments provides VCFMs with more flexibility with respect to their investments. Notwithstanding this, to ensure that the objective of the VCFM regime (i.e. to facilitate the funding of early stage start-up businesses by increasing their access to equity funding) is met, MAS expects VCFMs to focus primarily on venture capital investing, and the bulk of drawn capital from funds being managed by a VCFM should be applied towards venture capital investments (i.e. investments in securities that are directly issued by unlisted business ventures that have been incorporated for less than 10 years).

**7.2 Admission & Ongoing Requirements** – A VCFM needs to hold a CMS licence for fund management. All VCFMs are exempt from the specified provisions, as stated in regulation 14(5) of the SF(LCB)R<sup>8</sup>, and Part III of the SF(FMR)R (collectively, the “specified requirements”). Apart from these exemptions, and unless otherwise specified, VCFMs should meet the requirements that apply to fund management companies, including but not limited to the following:

- (i) **Fit and Proper** – Satisfy MAS that its shareholders, directors, representatives and employees, as well as the VCFM itself, are fit and proper, in accordance with the Guidelines on Fit and Proper Criteria issued by MAS [FSG-G01].
- (ii) **Place of Incorporation** – Be a Singapore incorporated company that has a permanent physical office in Singapore. The office should be dedicated, secure and accessible only to the VCFM’s directors and staff.
- (iii) **Key personnel** – Have at least two directors, at least one of whom should be full-time and resident in Singapore; and at least two full-time professionals and representatives resident in Singapore, who may include the directors. Nominee directors such as legal advisers or corporate secretaries will not count towards meeting this requirement.
- (iv) **Disclosure** – Disclose to investors that they are not subject to the specified requirements that are imposed on other FMCs.
- (v) **Conflicts of Interests** – Avoid any conflicts of interest and, where such conflicts arise, ensure that they are resolved fairly and equitably.
- (vi) **AML/CFT Requirements** – Comply with the requirements on anti-money laundering and countering the financing of terrorism [“AML/CFT”] requirements, as set out in the Notice to Capital Markets Service Licensees and Exempt Persons on Prevention of Money Laundering and Countering the Financing of Terrorism [SFA04-N02].
- (vii) **Reporting of Misconduct** – VCFMs shall comply with the misconduct reporting requirements set out in the Notice on Reporting of Misconduct of Representatives by Holders of CMS Licence and Exempt Financial institutions [SFA04-N11].
- (viii) **Use of Service Providers** – Prior to entering into arrangements with service providers (such as a compliance service provider or a fund administrator), a VCFM should take into account the requirements set out in the MAS Guidelines on Outsourcing.

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<sup>8</sup> The “specified provisions” refer to (a) Division 2 of Part IV of the SFA; (b) Divisions 2 and 3 of Part V of the SFA; (c) sections 96 and 97A to 97I of the SFA; (d) Parts III, IV and V of the SF(LCB)R; and (e) regulations 3A, 3B, 3C, 4, 4A, 5, 9A, 11B, 12, 13, 13A, 13B and 13C of the SF(LCB)R.

- (ix) Periodic Returns – Submit periodic regulatory returns on changes to key appointments, AUM, investor types and numbers, fund types, and deals by geography and sector, as set out in Table A7-1.

**Table A7-1 – Returns for VCFM’s Fund Management Activities**

| Category | Frequency                            | Submissions   | Via |
|----------|--------------------------------------|---|-----|
| VCFM     | Annually                             | Form 25A:<br>Annual declaration for VCFMs                 | CeL |
|          | Within 1 month of financial year end |   |     |
|          | Within 14 days of the change         | Form 23A:<br>Notification of change of VCFM’s particulars |     |

7.3 **Applications** – Applicants seeking to be admitted under the VCFM Regime are to submit an application through the MAS’ *Corporate Electronic Lodgment* [“CeL”] system.

**Table A7-2 – Documents required for Admission as a VCFM**

| Document to be submitted | Description  |
|--------------------------|--|
| Form 1V                  | Application for a CMS licence to operate as a VCFM   |
| Other documents          | <ul style="list-style-type: none"> <li>Signed declaration by VCFM’s directors (from Form 1V);</li> <li>VCFM’s business profile as per the Accounting and Corporate Regulatory Authority’s record;</li> <li>VCFM’s shareholding chart showing all immediate, intermediate and ultimate shareholders.</li> </ul> |

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