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Singapore Fund Managers and Funds

A quick introduction

Introduction

Singapore Fund Management Companies and Funds

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Singapore Fund Management Companies

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Singapore Fund Management Companies and Funds

Types of Singapore Fund Management Companies

Retail LFMC

Retail Licensed Fund Management Company

A/I LFMC

Accredited/
Institutional Licensed Fund Management Company

RFMC

Registered Fund Management Company

VCFM

Venture Capital Fund Manager

Each category of fund manager serves different purposes and have different requirements to qualify. The category of fund manager **depends on the underlying objective**, including but not limited to type of their investors, number of investors, fund strategy and expected assets under management.

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Singapore Fund Management Companies and Funds

Comparison of different categories of fund management companies in Singapore

Fund Manager type	Retail LFMC	A/ILFMC	RFMC*	VCFM
Type of activities permitted	<ul style="list-style-type: none"> Manages all types of investors, including retail investors 	<ul style="list-style-type: none"> Manages accredited and institutional investors only 	<ul style="list-style-type: none"> Manages up to 30 accredited and institutional investors only (of which no more than 15 may be funds or limited partnership fund structures). Maximum assets under management ("AUM") of SGD250 million 	<ul style="list-style-type: none"> Manages venture capital funds only. Restricted to serving only accredited and institutional investors
Financial requirements	<ul style="list-style-type: none"> Minimum base capital of SGD500,000 or higher. Must maintain financial resources which are in excess of total risk requirements. 	<ul style="list-style-type: none"> Minimum base capital of SGD250,000. Must maintain financial resources which are in excess of its total risk requirements. 	<ul style="list-style-type: none"> Minimum base capital of SGD250,000 No requirement to maintain financial resources in excess of total risk requirements 	<ul style="list-style-type: none"> No minimum base capital.
Staffing requirements	<ul style="list-style-type: none"> Minimum of 3 full-time Singapore-based employees each with at least 5 years of applicable experience. Proposed CEO must have at least 10 years of applicable experience. Dedicated and independent compliance function in Singapore required when providing investment solutions and strategies to clients. 	<ul style="list-style-type: none"> Minimum of 2 full-time Singapore-based employees each with at least 5 years of applicable experience. Dedicated and independent compliance function in Singapore is required if AUM is SGD1 billion or more. 	<ul style="list-style-type: none"> Minimum of 2 full-time Singapore-based employees each with at least 5 years of applicable experience. Dedicated and independent compliance function in Singapore is required if AUM is SGD1 billion or more. 	<ul style="list-style-type: none"> Minimum of 2 full-time Singapore-based employees.

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Comparison of different categories of fund management companies in Singapore (cont'd)

Fund Manager type	Retail LFMC	A/ILFMC	RFMC*	VCFM
Directorship requirements	<ul style="list-style-type: none"> Minimum of 2 directors of with at least 5 years of applicable experience CEO requires at least 10 years of applicable experience At least 1 executive director 	<ul style="list-style-type: none"> Minimum of 2 directors of with at least 5 years of applicable experience At least 1 executive director 	<ul style="list-style-type: none"> Minimum of 2 directors of with at least 5 years of applicable experience At least 1 executive director 	<ul style="list-style-type: none"> Minimum of 2 directors of with at least 5 years of applicable experience At least 1 executive director
Legal structure	<ul style="list-style-type: none"> Singapore incorporated company 	<ul style="list-style-type: none"> Singapore incorporated company 	<ul style="list-style-type: none"> Singapore incorporated company 	<ul style="list-style-type: none"> Singapore incorporated company
Office requirement	<ul style="list-style-type: none"> Dedicated, secure and accessible only to directors and staff 	<ul style="list-style-type: none"> Dedicated, secure and accessible only to directors and staff 	<ul style="list-style-type: none"> Dedicated, secure and accessible only to directors and staff 	<ul style="list-style-type: none"> Dedicated, secure and accessible only to directors and staff
Annual corporate fee	<ul style="list-style-type: none"> Fixed fee of SGD4,000 Variable fee calculated at S\$5 per representative from the 101st representative onwards as at 1 January of the calendar year 	<ul style="list-style-type: none"> Fixed fee of SGD4,000 Variable fee calculated at S\$5 per representative from the 101st representative onwards as at 1 January of the calendar year 	<ul style="list-style-type: none"> SGD1,000 	<ul style="list-style-type: none"> SGD4,000

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Criteria for licensing or registration, amongst others:

- (a) Substantive fund management activity – substantive fund management activity in Singapore such as portfolio management, investment research or trade execution
- (b) Fit and proper – shareholders, directors, representatives and employees, as well as the FMC itself, must be fit and proper persons, in accordance with the Guidelines on Fit and Proper Criteria issued by MAS
- (c) External involvement of key individuals – CEOs and executive directors are expected to focus on the management of the FMC's business and may be required to divest outside business interests, if they are unable to adequately mitigate the conflicts of interest (whether actual or perceived), or reputational risks posed to the FMC
- (d) Appointment of key individuals – An individual's appointment should accurately reflect his/her responsibilities and involvement within the FMC – Not for meeting minimum staffing requirements
- (e) Anchoring of key individuals – To ensure stability of the FMC. If not part of an established group, CEO and EDs are expected to hold >50% of shares.
- (f) Risk management framework – put in place a risk management framework to identify, address and monitor the risks associated with customer assets that it manages
- (g) Internal audit – commensurate with the scale, nature and complexity of operations
- (h) Independent annual audit – shall meet the annual audit requirements as out in the SFA and SF(LCB) regulations

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Documents required

(a) Retail LFMC or A/I LFMC license application

Document	Description
Form 1A	<ul style="list-style-type: none">Application for a CMS licence in fund management <p>Details of relevant professionals should be submitted in Annex A, unless they are representatives and/or directors of the FMC, in which case details should be provided in Form 3A or Form 11 instead)</p>
Form 3A	<ul style="list-style-type: none">Appointment of a representative
Form 11	<ul style="list-style-type: none">Appointment of a director/ CEO
Other documents	<ul style="list-style-type: none">Signed declaration by applicant's directors (from Form1A);Applicant's business profile as per the Accounting and Corporate Regulatory Authority's record;Applicant's complete group shareholding chart;Applicant's organisational chart with reporting lines;Applicant's financial statements; andAny other supplementary information deemed necessary.

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Documents required (cont'd)

(b) Registration as a RFMC

Document	Description
Form 22A	<ul style="list-style-type: none">• Registration Lodgement
Other documents	<ul style="list-style-type: none">• Signed declaration by RFMC's directors (from Form 22A);• RFMC's business profile as per the Accounting and Corporate Regulatory Authority's record;• RFMC's complete group shareholding chart;• RFMC's organisational chart with reporting lines; and• Any other supplementary information deemed necessary

(c) Admission as a VCFM

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

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Financial Sector Incentive Scheme – Fund Management or Investment Advisory (“FSI-FM”)

- Under the FSI-FM Scheme, income derived by a Singapore fund management company (“FMC”) from managing or advising qualifying funds is taxed at a concessionary tax rate of 10% instead of the prevailing corporate tax rate of 17%
- Applicant for the FSI-FM Scheme will have to demonstrate its plans to anchor and grow its operations in a substantive way in Singapore, contribute meaningfully to the growth of Singapore's financial sector and the overall economy
- Each applicant is evaluated based on its own merits, taking into consideration both quantitative criteria and qualitative factors. Its AUM at the point of application must be at least S\$250 million
- The following are some of the key factors which will be taken into consideration:
 - Headcount growth in key business functions. The expectation is to grow the professional headcount over the 5-year period and increase the pool of talents in Singapore
 - Demonstrate projected growth and expansion of business activities in Singapore and the continuing growth in AUM over the next 5 years
 - Economic contributions to the Singapore economy, demonstrated with an increase in local business spending over the 5-year period

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Goods and Services Tax

GST registration liability	Non-GST registered Singapore Fund Management Companies Non-GST registered Singapore Fund Management Companies ("NGC") should track and monitor its revenue (e.g. fund management fees) on calendar year basis. In any calendar year where NGC's taxable supply exceeds S\$1 million, it would be liable for compulsory GST registration and should apply for GST registration timely. NGC could however apply for exemption from GST registration (even where its taxable supplies exceeded S\$ 1 million for any calendar year) should it make substantially zero-rated supplies (e.g. > 90% of revenue is from fund management services provided to Funds belonging outside Singapore). Please refer to the GST treatment for fund management services below.
GST treatment for fund management services	GST registered and / or non-GST registered Singapore Fund Management Companies Generally GST registered Singapore Fund Management Companies ("GC") need to assess whether it has comply and correctly consider the GST classification of fund management services provided to the Funds. GC will need to consider the following GST classification: (i) standard-rated supply and to account for output tax (prevailing rate of 9% apply) on fund management services provided to Funds belonging in Singapore; (ii) zero-rated supply for fund management services provided to Funds belonging outside Singapore. Funds belonging status assessment is complex as it relies on factor such as business and fixed establishment and their reliance on Singapore Fund Management Company ("SFM"). The assessment of Fund's belonging status does not depends only on one factor and therefore is commonly misinterpreted and incorrectly assessed.

Funds managed by a Singapore Fund Management Company

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Singapore Fund Management Companies and Funds

Common fund structures managed by a Singapore Fund Management Company

1

Singapore Fund

- Singapore VCC
- Singapore Unit Trust
- Singapore Company
- Singapore Limited Partnership
- Singapore Master-Feeder Fund Structure

2

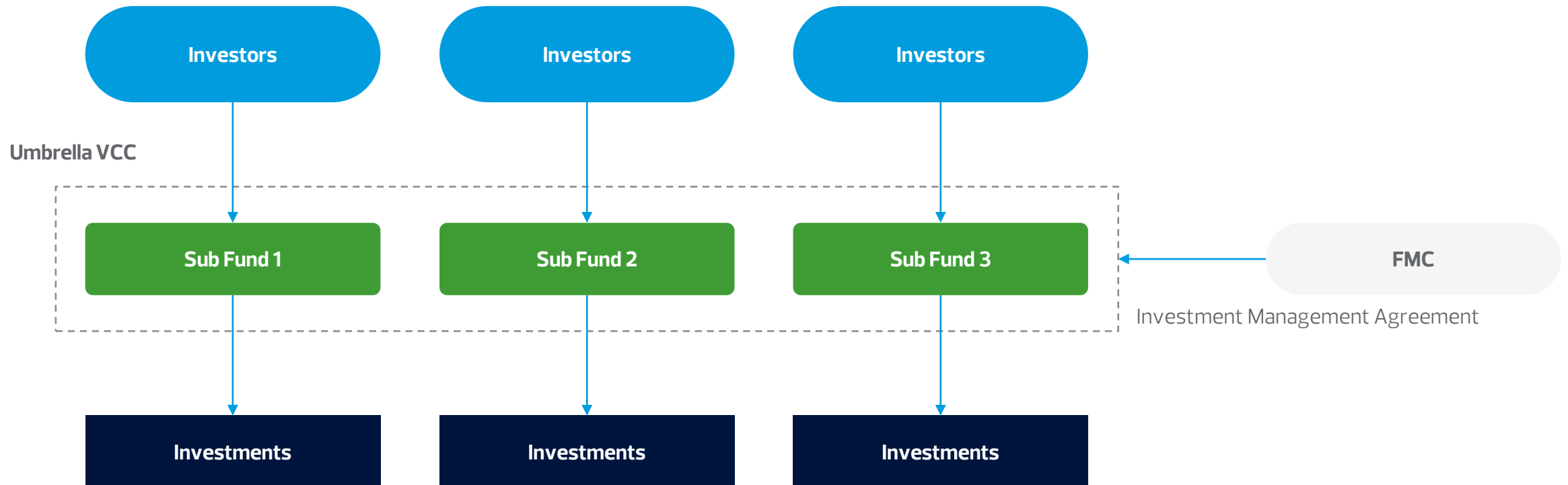
Cayman Fund

- Cayman Segregated Portfolio Companies
- Cayman Unit Trust
- Cayman Company
- Cayman Limited Partnership
- Cayman Master-Feeder Fund Structure

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Singapore Fund Management Companies and Funds

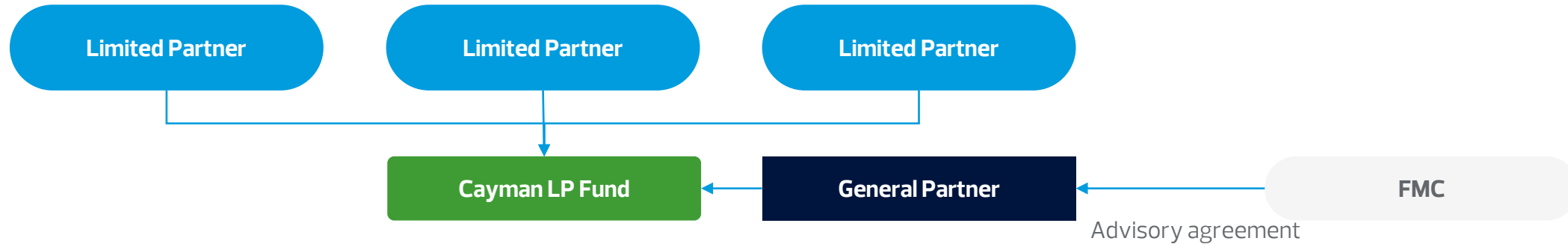
Common structure of a Singapore Umbrella VCC



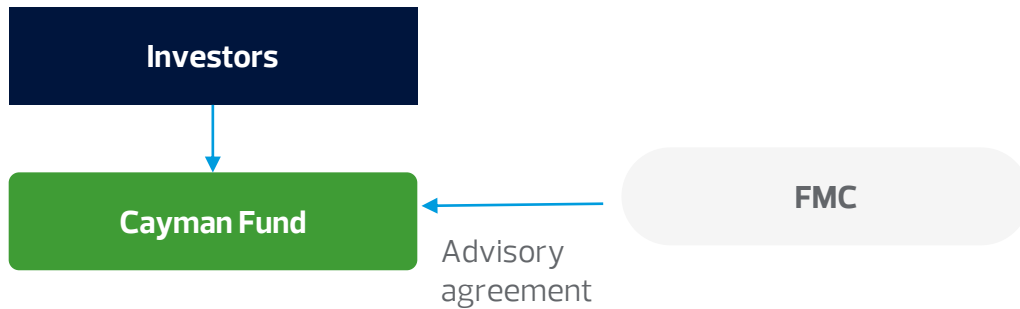
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Singapore Fund Management Companies and Funds

Common structure of a Cayman Limited Partnership (LP) Fund



Common structure of a Cayman Fund



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Comparison between a Singapore VCC Fund and a Cayman Fund

	Singapore VCC Fund	Cayman Fund
Legal form	Singapore Variable Capital Company (VCC)	Cayman Islands Exempted Company
Minimum number of directors required	One	One
Must director be a local resident	At least one must be a resident	No
Fund Manager directors required	Yes	No
Location of fund manager	Singapore-based	Singapore-based if tax incentive schemes to be applied for
Minimum capital requirement of the fund	N/A	N/A
Financial statement requirement at sub-fund level	Yes	Yes
Financial statements framework	IFRS/SFRS/US GAAP	Any GAAP
Tax treaties	Close to 100	Nil
Company secretary	Required	Not required – But registered office must be in the Cayman Islands
Fund Administrator	Required and must be Singapore-based	Only for administered funds
Custodian	Not required for private equity, venture capital and real estate funds	No

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Comparison between a Singapore VCC Fund* and a Cayman Fund

	Singapore VCC Fund	Cayman Fund
Auditor	Required – One single auditor for the Fund	Required – May involve more than one auditor as a Cayman Fund requires sign-off by a Cayman auditor even though the Fund is managed outside of Cayman
Segregated assets and liabilities for umbrella funds	Yes	Yes
Cross sub-fund investments	Permitted	Permitted but with restrictions
Annual tax return filing in Singapore	Yes	Not required if the Fund is relying on Section 13D Tax Exemption Scheme Required if the Fund is awarded the Section 13U Tax Incentive Scheme
Available Singapore tax incentives provided the fund is managed by MAS regulated fund manager in Singapore	May apply to MAS for Section 130 or Section 13U Tax Incentive Scheme if the following key conditions of the respective Schemes are met	May rely on Section 13D Tax Exemption Scheme (which do not require a formal application to MAS) or apply to MAS for Section 13U Tax Incentive Scheme if the following key conditions of the respective Schemes are met

Key conditions of tax incentive schemes ***	Section 130 Scheme **	Section 13U Scheme	Section 13D Scheme **
Tax residency	Resident in Singapore	Could be resident or a non-resident in Singapore	Resident outside of Singapore
Minimum fund size or AUM	No stipulated minimum AUM	Minimum AUM of SGD50 million at point of tax incentive application to MAS	No stipulated minimum AUM
Minimum annual business spending	Minimum total business spending of SGD200,000 per year of assessment	Minimum local business spending of SGD200,000 per year of assessment	No stipulated minimum business spending each year
Fund Manager	Managed by a MAS regulated Fund Manager in Singapore	Managed by a MAS regulated Fund Manager in Singapore	Managed by a MAS regulated Fund Manager in Singapore
Fund Administrator	Must engage a Singapore-based Fund Administrator	A Singapore-based Fund Administrator required if the Fund is incorporated in Singapore, with its tax residency in Singapore or a foreign fund resident in Singapore	No requirement for a Singapore-based Fund Administrator as the fund is tax resident outside of Singapore
Investment professionals employed by the Fund Manager	Minimum of two (which is the requirement for the Fund Manager to secure its CMS licence). Must be tax resident in Singapore and each earning more than SGD3,500 per month	Minimum of three. Must be resident in Singapore and each earning more than SGD3,500 per month	No specific requirements
Permitted to conduct investment trading activities prior to tax incentive application	Not permitted	Permitted to trade but income and gains derived prior to tax incentive start-date will be fully taxed	Permitted to trade

* Apart from a VCC fund, other types of fund structures (e.g. a limited partnership) may also be eligible for Section 130/13U Schemes if the relevant conditions are met.

** Investors may be subject to a financial penalty if their shareholding interest in the Fund exceeds certain threshold.

*** The tenure of Section 130/13U/13D Schemes has been extended to 31 December 2029. MAS expected to announce this year revision to some of the economic criteria mentioned above.

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Comparison between a Singapore VCC and a Cayman Fund

	Singapore VCC	Cayman Fund
GST remission	Yes	Yes
	Qualifying fund(s) managed by Singapore fund manager and satisfy the conditions for tax incentives under Section 130 / Section 13U could recover GST incurred for local purchases from GST registered suppliers at fixed recovery rate between 87% to 91%. The Funds need to apply for GST remission and submit periodic statement of claims to recover the input tax claims.	Qualifying fund(s) managed by Singapore fund manager and satisfy the conditions for tax incentives under Section 13U could recover GST incurred for local purchases from GST registered suppliers at fixed recovery rate between 87% to 91%. The Funds need to apply for GST remission and submit periodic statement of claims to recover the input tax claims.

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