

# MAS INTRODUCES SIMPLIFIED LICENSING REGIME FOR VENTURE CAPITAL FUND MANAGERS

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On 20 Oct 2017, the Monetary Authority of Singapore ("**MAS**") announced that the Venture Capital Fund Manager ("**VCFM**") regime has come into effect. The VCFM regime is part of the MAS's efforts to support businesses in the start-up phase and to promote funding for enterprise development.

Venture capital fund managers ("**VC fund managers**") who can come under the VCFM regime will no longer be subject to the same regulatory framework as other fund managers. Under the new regime, VC managers will be required to hold a capital markets services license to carry on the regulated activity of fund management.

To qualify under the VCFM regime, a VC fund manager must **ONLY** manage funds that meet the following requirements:

1. Invest at least 80% of committed capital in securities that are directly issued by an unlisted business venture, that has been incorporated for no more than 10 years at the time of the fund's initial investment
2. Invest up to 20% of its committed capital in other unlisted businesses that do not meet the criteria in i. above,
3. must not be continuously available for subscription, and must not be redeemable at the investor's discretion
4. offered only to accredited and/or institutional investors.

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However, there are much fewer requirements imposed under this regime, and VC managers operating under the VCFM regime are exempt from most of the regulatory requirements that apply to licensed fund managers.

Under the new VCFM regime:

1. Base capital requirements and risk-based capital requirements will be removed
2. The rules that fund managers are subject to in relation to the handling of customer assets, conflicts of interests, independent valuation, internal audits and submission to MAS of audited financial statements will also not be imposed
3. There will be no requirement to have directors and professionals with at least 5 years of relevant experience in fund management

However, to ensure the continued high standards of integrity and safeguard against financial crime, MAS will continue to focus on the fitness and propriety assessment of VC managers.

Under the VCFM regime, venture capital managers will still be required to:

1. Abide by the guidelines on Fit and Proper Criteria issued by MAS
2. Be a Singapore incorporated company with a permanent physical office in Singapore
3. Disclose to investors that they are not subject to all of the regulatory requirements imposed on other fund management companies
4. Comply with the anti-money laundering and countering the financing of terrorism requirements
5. Submit periodic regulatory returns on changes to key appointments, AUM, investor types and numbers, fund types, and deals by geography and sector, in the prescribed form

The VCFM regime will also simplify the authorization process so VC managers can expect a much shorter application process. New applicants would be required to apply to MAS through the submission of Form 1V, with the relevant supporting documents. Applications are to be submitted through the MAS' Corporate Electronic Lodgment system.

Existing licensed fund management companies and registered fund management companies who wish to convert to the VCFM regime need only submit Form 1V to indicate their intention to make the transition. They are not required to provide supporting documents.

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