

Strengthening Governance & Oversight of VCCs

A Practical Guide for External
Managers and Compliance Teams

Introduction

The Variable Capital Company (VCC) framework has become a cornerstone of Singapore's fund management landscape, offering flexibility and efficiency to fund managers. However, recent thematic reviews by the Monetary Authority of Singapore (MAS) have highlighted critical gaps in governance, compliance, and risk oversight.

In response, MAS has issued [Circular No. IID 04/2025](#), an updated version of [MAS Notice VCC-No1](#) and corresponding [guidelines](#), setting out enhanced supervisory expectations for VCCs and their external managers aimed at ensuring the resilience and integrity of the VCC framework.

At the [11th IMAS Regulatory Forum \(2 July 2025\)](#), Mr Teo Kok Ming, MAS Executive Director (Investment Intermediaries), reinforced these expectations, urging managers to “[avoid ‘letterbox vehicles’ and to take full ownership of risks, even in outsourced or delegated structures](#)”.

This guide provides a detailed overview of actionable steps for VCC managers and compliance teams to meet these heightened standards. Whether your VCC is active, dormant, or in wind-up, this document will help you navigate the regulatory landscape with confidence.

Executive summary

MAS's enhanced expectations for VCCs focus on certain key areas of concern uncovered by the MAS' thematic review:

- **Independent Custody:** Proper safeguarding of certain types of fund assets through independent custodians.
- **Notification of Representatives:** Ensuring individuals performing regulated activities are licensed representatives of the VCC manager.
- **Substantive Fund Management:** VCC managers should demonstrate active management of the VCC and avoid setting up or becoming "shell" structures.
- **Winding-Up Planning:** Promptly and deliberately winding-up dormant or inactive VCCs.
- **AML/CFT Oversight:** Maintaining robust anti-money laundering and counter-terrorist financing controls, even when outsourcing to Eligible Financial Institutions (EFIs).
- **Risk & Governance:** Strengthening governance and stewardship frameworks to ensure resilience against operational and financial risks.
- **Data and cyber resilience:** From H2 2025, surveys will be conducted on a quarterly basis for all fund strategy types. The MAS is also tightening controls on cyber risks and impersonation scams targeting fund entities and urges rapid action to combat these risks. As Mr Teo Kok Ming stated, "Fund managers should review their compliance with the Notice on Cyber Hygiene ([FSM-N22](#)) to protect their own interests as well as those of investors. Prevention is better than cure".
- **Liquidity risk management:** MAS will revise its 2018 Guidelines on Liquidity Risk Management Practices for Fund Management Companies to align with the Financial Stability Board and the International Organisation of Securities Commissions, with formal consultation to be sought later in 2025. Key anticipated changes indicated by Mr Teo Kok Ming include (i) matching fund redemption terms to underlying asset liquidity; (ii) broader adoption of liquidity management tools such as swing pricing and anti-dilution levies; and (iii) strengthened governance over the use of these tools.
- **Market Endorsement & Strategic Relevance:** The industry broadly supports MAS' enhanced standards – viewed as balancing investor protection and cost efficiency. Managers adopting these now gain a competitive edge ahead of VCC 2.0 by aligning with investor expectations and securing regulatory trust.

The following sections provide detailed guidance and action plans for each area, ensuring compliance with MAS' expectations.

Key Expectations & Actionable Guidance

1. Independent Custody: Proper Safeguarding of Certain Types of Fund Assets

Objective: Safeguard certain types of fund assets through independent custodians, unless exempted. As Mr Teo Kok Ming highlighted, “Our thematic review revealed several instances where VCCs lacked proper custody arrangements for assets such as listed equities and fixed income instruments. VCC managers must establish independent custody arrangements for their assets under management, except for private equity or venture capital investments exclusively offered to accredited or institutional investors”.

Action Plan

- **Custody Audit:** Review all custody arrangements to ensure compliance with MAS requirements.
- **Exemption Documentation:** Where an exemption applies, document the rationale and ensure it aligns with MAS guidelines.
- **Asset Mapping:** Create a matrix mapping sub-fund assets to their respective custodians.
- **Quarterly Reporting:** Establish a process for quarterly custody status reporting to the Board or Risk Committee.
- **Service Provider Due Diligence:** Conduct annual due diligence on custodians to ensure they meet regulatory standards.
- **Contingency Planning:** Develop a plan for transitioning custody arrangements in case of service provider failure.

Risk of non-compliance: Improper or undocumented custody arrangements may result in MAS intervention or raise investor protection concerns.

2. Notification of Representatives

Objective: Ensure all individuals performing regulated activities (including directors) are properly licensed as representatives of the external manager.

Who Needs Licensing?

Individuals involved in fund management, e.g.:

- Sourcing investments.
- Conducting investment research or portfolio management.
- Approving deals or trade execution.
- Engaging in client-facing activities such as account servicing, business development, or marketing.

Action Plan

- **Role Mapping:** Identify individuals performing regulated activities.
- **Fit-and-Proper Assessment:** Ensure individuals meet MAS’ Fit and Proper Criteria, including integrity, competence, and financial soundness.
- **Application Filing:** Submit the Form 3A notification for the appointment of a representative to the MAS.
- **Training & CPD:** Develop a training plan to ensure representatives of licensed managers meet Continuing Professional Development (CPD) requirements.
- **Compliance Calendar:** Maintain a calendar to track competency requirements, CPD hours, and MAS reporting obligations of representatives.
- **Documentation:** Keep records of all declarations, approvals, and training logs for audit purposes.

Risk of non-compliance: Unlicensed activity by representatives may trigger MAS enforcement action, including fines or licence suspension.

Key Expectations & Actionable Guidance

3. Substantive Fund Management

Objective: VCC managers should demonstrate active management of the VCC and avoid setting up or becoming “shell” structures. As Mr Teo Kok Ming observed, “**Strong governance practices form the bedrock of resilience in the fund management sector**”.

Action Plan

- **Investment Policy Statements (IPS):** Draft and maintain an IPS for each VCC, outlining its strategy, risk appetite, and investment objectives.
- **Deal Memos:** Prepare detailed deal memos for all investments, including risk-return analysis and due diligence findings.
- **Investment Committee (IC):** Establish an IC with documented terms of reference. Hold regular meetings and maintain minutes.
- **Portfolio Monitoring:** Implement systems for ongoing portfolio monitoring, including performance tracking and exit planning.
- **Risk Dashboards:** Develop dashboards to monitor exposures, liquidity, and other key risk metrics.
- **Independent Valuations:** Engage independent valuers for periodic asset valuations.
- **Single-Investor VCCs:** Appoint an independent IC member and document discretionary decision-making processes.
- **Quarterly Reviews:** Schedule quarterly reviews of fund performance, risk management, and investor engagement.
- **Conflict Registers:** Maintain a register of conflicts of interest and ensure timely disclosure to investors.

Risk of non-compliance: VCCs lacking demonstrable activity or oversight may be deemed “letterbox” vehicles and face MAS scrutiny or deregistration.

4. Winding-Up Planning

Objective: Ensure dormant or inactive VCCs are wound-up promptly and in an orderly manner.

Action Plan

- **Viability Assessment:** Evaluate the VCC’s viability based on NAV, activity levels, and investor base.
- **Board Review:** Trigger a board review if the VCC has been inactive for more than 12 months.
- **Stakeholder Notification:** Notify investors, service providers, and other stakeholders of the winding-up process.
- **Legal & Tax Advice:** Engage legal and tax advisors to address jurisdictional and compliance considerations.
- **Asset Exit/Transfer:** Develop a plan to exit or transfer remaining assets.
- **Final Accounts:** Prepare final accounts and ensure they are audited, if required.
- **MAS Notifications:** Submit all required notifications to MAS, including the notification of cessation of business of the VCC manager, if applicable.
- **Board Resolution:** Pass a formal board resolution to wind-up the VCC.
- **Winding-Up Register:** Maintain a register tracking the progress of all wind-up activities.

Risk of non-compliance: Persistently dormant or inactive VCCs may attract enforcement attention and suggest poor governance.

Key Expectations & Actionable Guidance

5. AML/CFT Oversight

Objective: Ensure robust AML/CFT controls, even when outsourcing compliance functions. As Mr Teo Kok Ming emphasised, “**While Eligible Financial Institutions may be appointed to handle these matters, the ultimate responsibility lies with the VCC directors**”.

Action Plan

- **EFI Due Diligence:** Conduct annual due diligence on Eligible Financial Institutions (EFIs) to assess their AML/CFT controls.
- **Policy Tailoring:** Tailor AML/CFT policies to the specific risk profile of each VCC.
- **Suspicious Transaction Reports (STRs):** The money laundering reporting officer (MLRO) shall maintain a log of STRs reported by employees and officers and ensure prompt submission to the Suspicious Transaction Reporting Office (STRO) (and the MAS, upon request).
- **Training:** Conduct AML/CFT training for staff and directors at least twice a year.
- **Annual Policy Review:** Review and update AML/CFT policies annually to reflect regulatory changes and operational risks.
- **Monitoring:** Implement systems to monitor transactions and flag unusual activity.
- **Record-Keeping:** Maintain detailed records of AML/CFT activities, including training logs, STR submissions, and policy updates.

Risk of non-compliance: AML/CFT failings are a major source of MAS enforcement – particularly when functions are outsourced without oversight.

6. Risk & Governance

Objective: Strengthen governance frameworks and ensure resilience against operational and financial risks.

Action Plan

- **Risk Register:** Develop and maintain a comprehensive risk register, categorising risks by type (e.g., market, liquidity, operational).
- **Liquidity Stress Tests:** Perform quarterly liquidity stress tests to assess the VCC’s ability to meet redemption requests.
- **Governance Committees:** Establish a risk and governance committee with clear terms of reference.
- **Cybersecurity Drills:** Conduct regular cybersecurity drills to test incident response protocols.
- **Escalation Protocols:** Develop and document escalation protocols for risk events.
- **Governance Reporting:** Formalise governance reporting cycles, including risk dashboards and board updates.
- **Redemption Readiness:** Ensure the VCC has sufficient liquidity buffers to meet redemption obligations.
- **Service Provider Oversight:** Monitor the performance of outsourced service providers and address any deficiencies promptly.

Risk of non-compliance: Weak governance is a recurring MAS concern and may call board competence into question.

Key Expectations & Actionable Guidance

7. Data & Cyber Resilience

Objective: Enhance operational robustness through more frequent data reporting and strengthened cybersecurity controls. As Mr Teo Kok Ming noted, “When scammers impersonate a legitimate fund management company, they can damage its reputation and erode public trust. Fund managers should conduct periodic online scans to detect impersonation and post advisories on public channels to inform investors”.

Action Plan

- **Data Collection & Reporting:** Align internal compliance and risk reporting schedules to meet the new quarterly requirements. Design consistent data templates, especially for authorised schemes (excluding REITs) requiring daily position data.
- **Cyber Risk Governance:** Conduct quarterly cybersecurity drills; monitor critical fund systems for suspicious domain registrations or fake sites.
- **Incident Response:** Maintain a cybersecurity incident response playbook aligned with MAS’ latest Technology Risk Management (TRM) and Cyber Hygiene Notices. Incorporate online scanning tools and partner with IT to identify impersonation attempts. Document and report any incidents to MAS and publish investor warnings as needed.
- **Oversight & Training:** Allocate governance committee oversight for cyber resilience, including regular updates on cyber scenario simulations. Ensure directors and senior staff receive periodic training on cyber and data reporting obligations.

Risks of Non-Compliance: Failure to adapt to quarterly data submissions could signal weak control frameworks. Weak cyber hygiene and delayed incident reporting may result in MAS action, reputational damage, or investor losses.

8. Liquidity Risk Management

Objective: Strengthen preparedness for stress scenarios by aligning liquidity tools and redemption terms with fund exposure. As Mr Teo Kok Ming stated, “We intend to align our expectations with FSB’s and IOSCO’s recommendations and guidance by updating our 2018 Guidelines on Liquidity Risk Management Practices for Fund Management Companies”.

Action Plan

- **Liquidity Mapping & Stress Testing:** Conduct quarterly liquidity stress tests, considering extreme scenarios (e.g., sudden redemption spikes). Evaluate maturities against redemption frequency.
- **Trigger Tools:** Define conditions to deploy liquidity management tools such as swing pricing – ensuring the terms are clearly reflected in investor documentation.
- **Governance Framework:** Identify roles and decision rights for setting/implementing liquidity tools (ideally within the Investment Committee). Create approval protocols for invoking these provisions.
- **Policy Updates & Investor Transparency:** Revise IPSs and fund documentation to include liquidity thresholds, triggers for levy/swing pricing, and investor disclosure points.
- **MAS Consultation Preparedness:** Track MAS consultation timelines and engage with industry responses or IMAS positioning statements.

Risks of Non-Compliance: Inconsistent redemption and asset liquidity terms may expose investors and trigger MAS action. Poor governance around liquidity tools can result in misuse or miscommunication. Conversely, well tuned liquidity frameworks will bolster fund resilience and investor trust.

Action Plan Checklist for Compliance Teams

Please refer to the bottom of this article for a [Compliance Oversight Dashboard](#)

Focus Area	Tasks
Notification of Representatives	Map roles to identify individuals performing regulated activities.
	Conduct Fit-and-Proper assessments for representatives to be appointed.
	File Form 3A notification for the appointment of a representative with MAS.
	Track CPD requirements and maintain training logs.
	Maintain a compliance calendar for ongoing requirements of appointed representatives.
Independent Custody	Audit custody arrangements and document exemptions.
	Map sub-fund assets to custodians.
	Conduct due diligence on custodians annually.
	Report custody status quarterly to the board.
Substantive Fund Management	Maintain an IPS for each VCC.
	Document deal memos and IC minutes.
	Monitor portfolio performance and conduct quarterly reviews.
	Maintain conflict registers and ensure timely disclosures.
Winding-Up Planning	Identify dormant VCCs and assess viability.
	Notify stakeholders and prepare final accounts.
	Submit required MAS notifications and pass board resolutions for closure.
	Maintain a winding-up register to track progress.
AML/CFT Oversight	Conduct annual due diligence on EFIs.
	Tailor AML/CFT policies to each VCC's risk profile.
	MLRO logs and submits STRs to the STRO (and the MAS, upon request) promptly.
	Conduct AML/CFT training for staff and directors twice a year.
	Review and update AML/CFT policies annually.
Risk Governance	Develop a risk register and perform quarterly stress tests.
	Establish a risk and governance committee.
	Conduct cybersecurity drills and maintain escalation protocols.
	Formalise governance reporting cycles.

Action Plan Checklist for Compliance Teams

Please refer to the bottom of this article for a Compliance Oversight Dashboard

Focus Area	Tasks
Data & Cyber Resilience	Align internal reports with MAS' quarterly data collection.
	Design standardized data templates for authorised schemes (excluding REITs) requiring daily data collection.
	Conduct quarterly cybersecurity drills.
	Run continuous domain scans and anti-impersonation monitoring.
	Update incident-response playbook per MAS TRM and Cyber Hygiene notices.
	Report cyber incidents, issue MAS alerts and/or public warnings, where required.
Liquidity Risk Management	Conduct quarterly liquidity stress tests (exit scenarios, redemption surges).
	Map asset liquidity vs redemption terms.
	Define swing pricing or anti-dilution triggers.
	Embed triggers in IPS and fund documents.
	Establish governance (IC/board) for tool deployment.

What VCCs and VCC Managers Should Do Now

To ensure compliance with MAS' enhanced expectations, VCCs and their managers should take the following steps:

Immediate Actions (0–3 months)

1. Notification of Representatives

- Identify individuals performing regulated activities and submit Form 3A with MAS.
- Conduct Fit-and-Proper assessments and ensure CPD plans are in place.

2. Custody Arrangements

- Audit existing custody arrangements and document any exemptions (e.g. where the relevant disclosures have been made, the relevant acknowledgements obtained and the assets are audited annually).
- Map all sub-fund assets to custodians and report custody status to the board.

3. Dormant VCCs

- Identify dormant or inactive VCCs and initiate winding-up planning.
- Notify stakeholders and prepare a timeline for closure.

4. Data & Cyber Resilience

- Align compliance reporting to quarterly frequency and design templates accordingly.
- Run inaugural cyber drills, and update and test incident response playbook.

5. Liquidity Risk Management

- Run initial liquidity stress tests, map asset liquidity vs redemptions.
- Outline swing pricing trigger conditions and update IPS framework.

Mid-Term Actions (3–6 months)

1. Substantive Fund Management

- Establish investment and risk committees with clear terms of reference.
- Draft or update IPSs and ensure deal memos are documented.
- Conduct quarterly reviews of fund performance and risk management.

2. AML/CFT Compliance

- Conduct due diligence on EFIs and review AML/CFT policies for each VCC.
- Implement systems to monitor transactions and flag unusual activity.
- Conduct AML/CFT training for staff and directors.

3. Risk Governance

- Develop a risk register and perform liquidity stress tests.
- Formalise governance reporting cycles and establish escalation protocols.

4. Data & Cyber Resilience

- Execute quarterly cyber drills, deploy domain and impersonation tools and document and report any incidents.
- Brief governance committees and deliver director-level training.

5. Liquidity Risk Management

- Finalise tool calibration (swing pricing, anti-dilution), embed in fund documents and train IC and board on triggers.
- Participate in the MAS consultation and implement feedback from MAS.

What VCCs and VCC Managers Should Do Now

Long-Term Actions (6–12 months)

1. Winding-Up Completion

- Finalise the winding-up of dormant VCCs and notify all relevant stakeholders.
- Submit all required notifications to MAS and pass board resolutions for closure.

2. Governance Frameworks

- Strengthen governance frameworks, including risk dashboards and cybersecurity measures.
- Prepare for potential MAS thematic reviews by ensuring all compliance documentation is in order.

3. Ongoing Monitoring

- Maintain a compliance calendar to track key deadlines (e.g., annual audits, periodic returns, AML/CFT reviews).
- Conduct periodic audits of custody arrangements, AML/CFT controls, and governance practices.

Concluding remarks

The MAS' enhanced expectations for VCCs represent a significant shift towards greater accountability and resilience in the fund management sector. The market has welcomed MAS' enhanced VCC guidance as reasserting Singapore's reputation as a high quality, globally competitive fund jurisdiction with an enduring commitment to VCC innovation. By implementing the actionable steps outlined in this guide, VCC managers and compliance teams improve their operational and governance frameworks, but also gain early-mover advantages in preparing for the expanded scope of VCC 2.0.

At Simmons & Simmons, we are here to support you every step of the way. Whether you need assistance with licensing, regulatory compliance, or liaising with the MAS, our team is ready to help. Please reach out if you would like tailored guidance for your organisation.

Compliance Oversight Dashboard

Use the following tool for internal monitoring and board reporting:

Area	Action Summary	Owner	Timeline	Status	Notes
Notification of Representatives	Map roles, file Form 3A, assess fitness, track CPD, maintain calendar	Compliance / Legal	0–3 months	<input type="checkbox"/> Not started <input type="checkbox"/> In progress <input type="checkbox"/> Done	
Independent Custody	Audit arrangements, map assets, document exemptions, conduct due diligence	Operations / Risk	0–3 months + ongoing	<input type="checkbox"/> Not started <input type="checkbox"/> In progress <input type="checkbox"/> Done	Escalate poor custodian ratings
Substantive Fund Management	Prepare IPS, deal memos, IC setup, quarterly reviews, valuation, conflict register	Portfolio Management	3–6 months + ongoing	<input type="checkbox"/> Not started <input type="checkbox"/> In progress <input type="checkbox"/> Done	Monitor low-activity funds
Winding-Up Planning	Identify dormant VCCs, notify stakeholders	Compliance / Legal	0–6 months	<input type="checkbox"/> Not started <input type="checkbox"/> In progress <input type="checkbox"/> Done	Ensure full board oversight
AML/CFT Oversight	Due diligence, policy tailoring, STR logs and prompt reporting to STRO, biannual training, monitoring system	Compliance / Compliance Officer / MLRO	3–6 months + ongoing	<input type="checkbox"/> Not started <input type="checkbox"/> In progress <input type="checkbox"/> Done	Update based on regional risks
Risk & Governance	Risk register, stress tests, cybersecurity, governance reporting, escalation	Risk / COO / IT	3–12 months + ongoing	<input type="checkbox"/> Not started <input type="checkbox"/> In progress <input type="checkbox"/> Done	Document test results for audit
Data & Cyber Resilience	Quarterly data templates, cyber drills, domain monitoring, incident playbook	IT / Compliance / Risk	0–6 months + ongoing	<input type="checkbox"/> Not started <input type="checkbox"/> In progress <input type="checkbox"/> Done	Confirm alignment to MAS TRM requirements
Liquidity Risk Management	Liquidity mapping, stress tests, triggers, IPS and document updates	Portfolio / Risk / Compliance	0–6 months + ongoing	<input type="checkbox"/> Not started <input type="checkbox"/> In progress <input type="checkbox"/> Done	Track MAS consultation timing and publication of MAS feedback

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