

## RESPONSE TO CONSULTATION PAPER

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<b>Consultation topic:</b>	Consultation Paper on the Proposed Notice on Prevention of Money Laundering and Countering the Financing of Terrorism for Variable Capital Companies
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<b>Confidentiality</b>	
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**General comments:**

**Question 1: With respect to paragraph 2.4 of the consultation paper, MAS seeks comments that the requirement for a VCC to appoint an eligible financial institution shall not extend to paragraph 3 (Underlying Principles), paragraph 4 (Eligible FIs) and paragraph 10 (Reliance on Third Parties) of the Notice, as these are obligations that are applicable to only the VCC.**

Paragraph 2.4 states that the VCC is an investment vehicle. We note that investment vehicles are usually passive structures with a board of directors, and staff if any, who do not undertake operating and management decisions although we do not preclude other instances where the board and staff of investment vehicles do make such decisions. As such, where the VCC is operated by a licensed fund manager, the fund manager will be subjected to the MAS Notice to Capital Market Licensees and Exempt Persons on Prevention of Money Laundering and Countering the Financing of Terrorism (MAS Notice No. SFA 04-N02) which have similar obligations relating to paragraph 3 (Underlying Principles) and paragraph 10 (Reliance on Third Parties). By virtue of the above, we agree that paragraphs 3, 4 and 10 are applicable only to the VCC.

Given that VCC is a passive investment vehicle where decisions are typically made by the eligible financial institution, we also seek MAS clarification which party would be held accountable (the VCC, its directors and members, or the eligible financial institution) if any of the obligations set out in the Notice (particularly paragraphs 3, 4 and 10) are breached.

**Question 2: MAS seeks comments on the proposed definitions of “business relations” and “customer”, in relation to a VCC, and whether it appropriately captures the scope of customer activities conducted by a VCC.**

We note that the definition intends to define customers of the VCC as investors who invest into the fund, which appears to be consistent with the MAS Notice SFA 04-N02 definition of customer for a fund manager.

**Question 3: MAS seeks comments on the proposed scope of requirements on the registers of beneficial owners of a VCC and its nominee directors set out in paragraphs 3.4 to 3.6, including on the prescribed places where a VCC should maintain these registers, as set out in paragraph 3.5(a)**

We agree with 3.4 and 3.5.

Additional related comments: Paragraph 3.5(a) - MAS may consider augmenting the term “where applicable” to paragraph 3.5 (a).

**Question 4: MAS seeks comments on the whether there are other circumstances under which a VCC may acquire an entity or structure other than another VCC or a fund whereby the VCC may wish to rely on existing CDD measures already performed, which are not currently covered by the scope of the VCC AML/CFT Notice**

We agree with 3.8. The acquiring VCC can rely on the CDD that has already been performed by the target VCC.

In the event that the transfer of the management of an overseas investment vehicle to a VCC is facilitated by an overseas subsidiary or branch of the eligible custodian bank/financial institution in Singapore that has been/is contractually mandated to administer the VCC, a confirmation or affidavit by the overseas financial entity (along with documentary proof) evidencing the prevalence of comprehensive CDD measures similar to MAS’ requirements is required. This might suffice in lieu of a completely new CDD exercise at the time of transfer. This would also not preclude subsequent periodic CDD reviews.

**Question 5. MAS seeks comments on whether any of the above concepts could be relevant to VCCs, and hence should instead be included in the proposed VCC AML/CFT Notice.**

Given that the VCC is an investment vehicle which is typically a passive structure with a board of directors, and staff if any, who do not undertake operating and management decisions, we are of the opinion that the concepts relating to this question are not relevant.

**Question 6. MAS seeks comments, other than those listed above, on the proposed VCC AML/CFT Notice set out in Annex B**

No further comment