



## The Variable Capital Company and ESG impact

10 May 2022 – AIWM Singapore

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# ABOUT INTERACTIVE BROKERS (IBKR)

We are a **highly automated leading global financial institution** that delivers **electronic brokerage** to a large and diversified client base that includes corporations, financial institutions, governments and individuals.

Founded in New York in 1978, the firm is headquartered in the US and maintains offices in all major financial centers around the world.

## Size & Scale

**IBKR**

Nasdaq  
Listed

**\$25B+**

Market  
Capitalization\*

**\$348B+**

Client Equity\*

**2.49M**

DARTs\*\*

**\$10B**

Shareholder  
Equity\*

**500+**

Introducing  
Financial  
Institutions\*

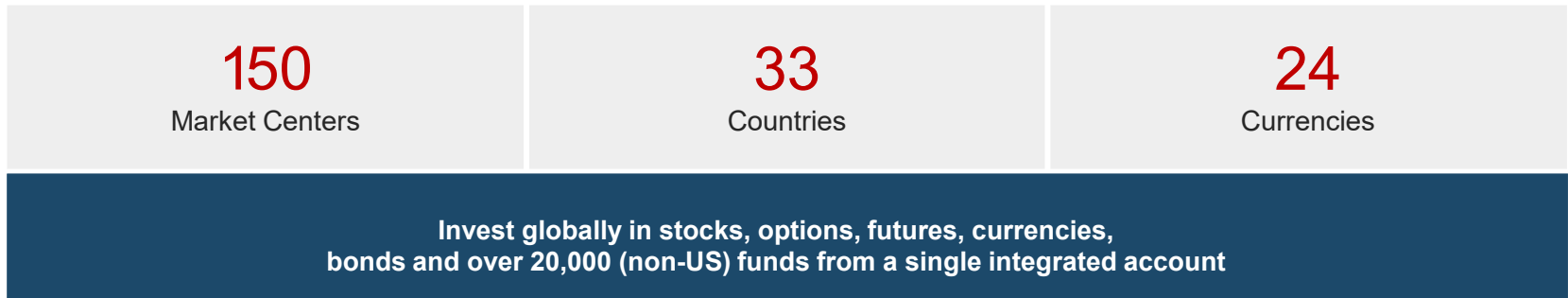
## Competitive Pricing

Focusing on automation achieves **efficiency** and **scalability**, which enables us to provide premium services at discount prices

\* As of 3/1/2022. Includes banks, brokers, insurance entities, and other regulated financial intermediaries

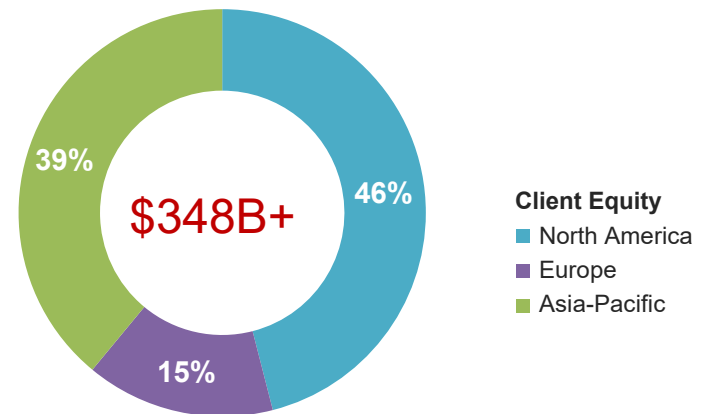
\*\*Interactive Brokers Group and its affiliates. DART means Daily Average Revenue Trades (based on client orders). It is a standard US measure of a brokerage firm's client facing activity.

## Global Markets



## Global Presence

- Over 2,500 employees across 14 countries
- Global client focus – more than 70% of our clients are located outside of North America
- Deep expertise operating across many jurisdictions and complying with local regulatory requirements



# INTRO: GUILLAUME ROUX-CHABERT (GRC)

## **Head of Sales Singapore for IBKR**

- Licensed in Singapore, HK and US
- Covers Corporate and Institutional Clients

## **In the Financial Services market since 2003**

- Software vendors: Sungard, ION Trading
- Capital Market Services: Newedge, Deutsche Bank, and IBKR

## **Career in Asia**

- Singapore: 2003-2005
- Hong Kong 2005-2010
- Tokyo: 2010-2015
- Singapore since 2015

## **Masters Degree in Business Administration**

- Ecole Supérieure de Commerce de Grenoble

## **Joined AIWM in 2021**





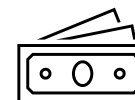
# THE VARIABLE COMPANY: ORIGINS AND RATIONALE

- Given its strategic geopolitical situation, Singapore offers a robust ecosystem as a full-service international fund management and domiciliation hub for Asset Managers.
- With recent developments in the increase governance instability globally, Singapore attracts more funds to be domiciled here. This enhances its value as an international fund management center.
- Introduced in 2020, the VCC is a corporate structure that can be used for a wide range of investment funds and provides fund managers greater operational flexibility and cost savings.
- A wider and wider range of wealth management firms have shown an interest in this structure: Family Offices, Hedge Fund Managers, Corporates, HNWI, Investment holdings companies.
- The goal of this presentation is to give you a good understanding of the Variable Capital Company and its possibilities with ESG requirements.



# MAIN BENEFITS OF A VCC

- **Distribution of Capital and Dividends.**
- **Costs Efficiency through Umbrella Structure.**
- **Open-ended and closed-end fund strategies.**
- **Re-Domiciliation.**
- **Confidentiality of Shareholders / Investors.**
- **Grants (15JAN2023)**



# ACCOUNT STRUCTURE IN ITS ECOSYSTEM

## VCC UMBRELLA FUND

( Legal entity indicated in purple, akin to a company which comprises a board as well as the operating company )

SHAREHOLDERS (INVESTORS)\*  
IN SUB-FUND 1

SHAREHOLDERS (INVESTORS)\*  
IN SUB-FUND 2

### FUND SERVICE PROVIDERS

Provide assistance with administration, valuation, accounting, settlement of expenses etc.

VCC BOARD  
VCC Umbrella Fund

SUB-FUND 1

SUB-FUND 2

FUND MANAGER  
Financial institution regulated by MAS

Mandatory delegation of fund management functions

### CUSTODIAN

Required for funds offered to certain (e.g. retail) investors

Safekeeping of Assets

SUB-FUND 1  
ASSETS

SUB-FUND 2  
ASSETS

Management of Assets

\*Shareholders (investors) invest by holding shares in the VCC



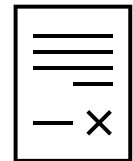
## The VCC have some specific requirements for the Custody for listed assets:

- A VCC must maintain its assets with a **'prescribed entity'**: either a local or a foreign custodian that is licensed, registered or authorised to conduct banking business or to act as a custodian in the country or territory where the account is maintained.



## The Custodian should:

- Provide Pro-Forma disclosure to include in the OM/PPM
- Provide Custody Legal terms



# PITFALLS: PRODUCT AND MARKET ACCESS



**LEI:** The VCC Sub-Fund would require trading permission that needs anticipation

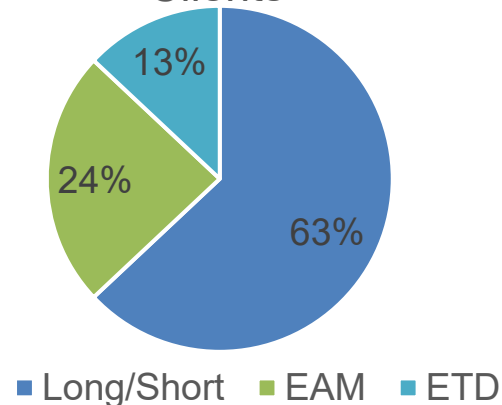


**Futures in EU:** requirements for Singapore Companies AI is 10mil USD AUM.



**Redomiciliation:** Same name, same account. Facilitation takes time from Cayman/BVI to Singapore.

Strategies of IBKR VCC Clients

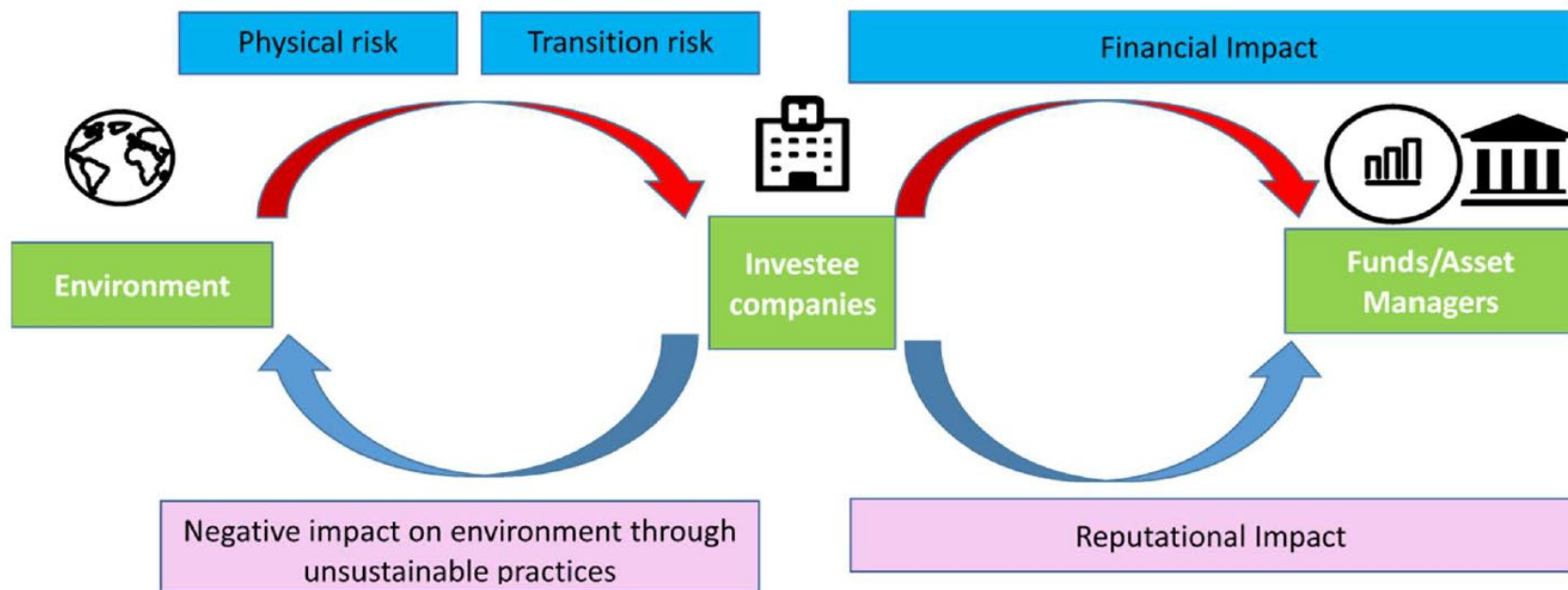


**Conclusion:** While VCC is still yet to become a standard structure in Singapore, its requirements in terms of asset management by local regulated service providers makes it a great structure for ESG purpose.

# ESG AND MAS GUIDELINES

- **Environmental Risk Management (EnRM):** June 2022

- **Scope:** Potential financial and reputational impact of environmental risk on funds and asset managers



Source: GUIDELINES ON ENVIRONMENTAL RISK MANAGEMENT (Asset Managers)

- **GOVERNANCE:**

Assessing, Monitoring and Controlling the Environmental Risk



- **COMBAT GREEN WASHING:**

For the Fund: fund naming, prospectus disclosures and periodic reporting disclosures. For the Asset Manager, match the commitment in the capabilities on the ground.



- **GOOD PRACTICES:**

Quantitate Targets in the business plan and have consistent application of ESG risk Assessment across the entire investment portfolio.

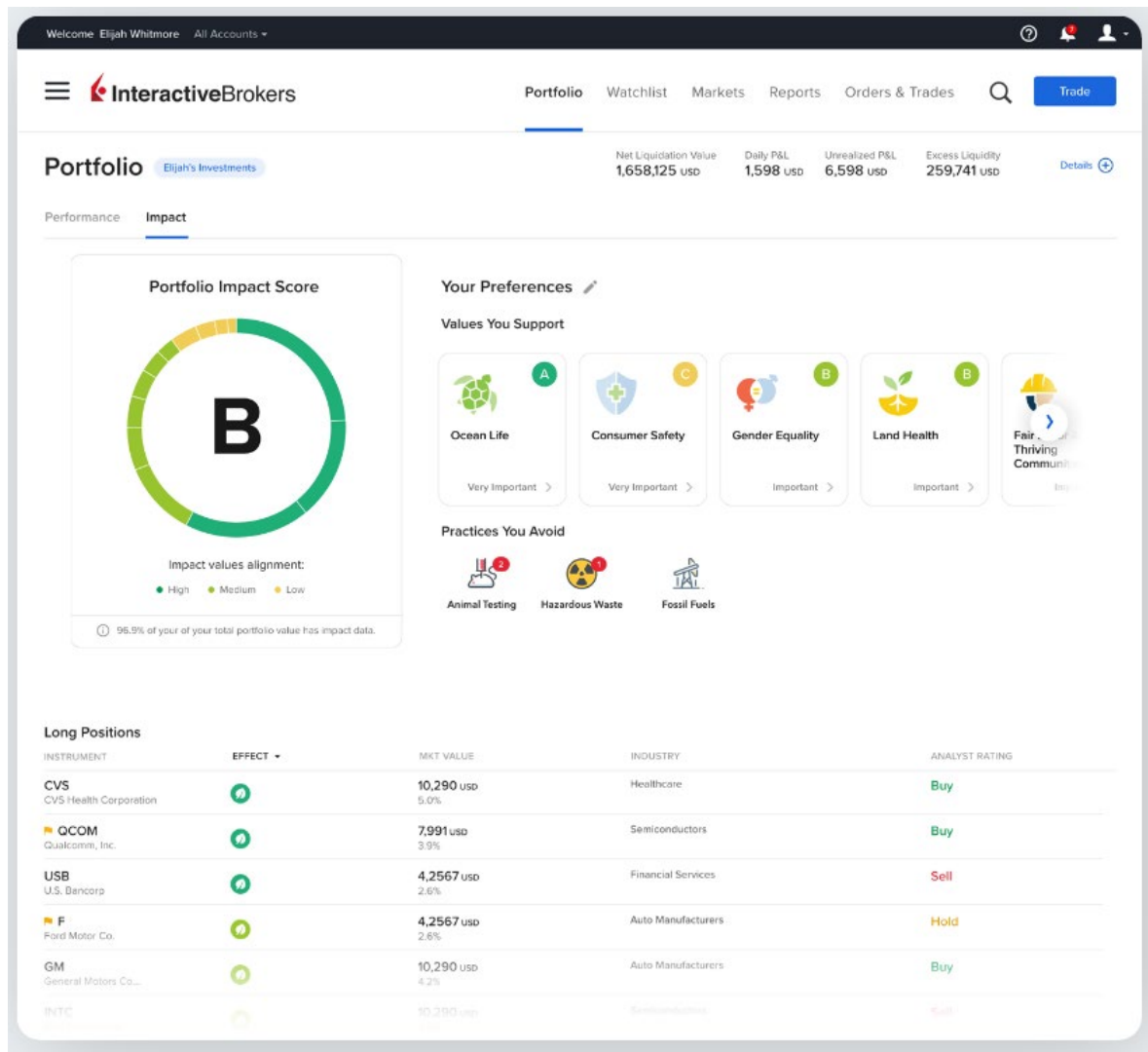


- **PORTFOLIO RISK MANAGEMENT:**

Ongoing monitoring, Scenario Analysis, Rebalancing.



# EXAMPLE OF TOOLS AVAILABLE



## Real Time ESG Risk Assessment:

- Set your Values (ex: Clean air for Green House Gas)
- Check the impact of a securities prior to include it in your portfolio.
- Monitor the overall Rating of your Portfolio
- Produce ESG risk reporting
- GIPS® Verified



# EXAMPLE OF TOOLS AVAILABLE

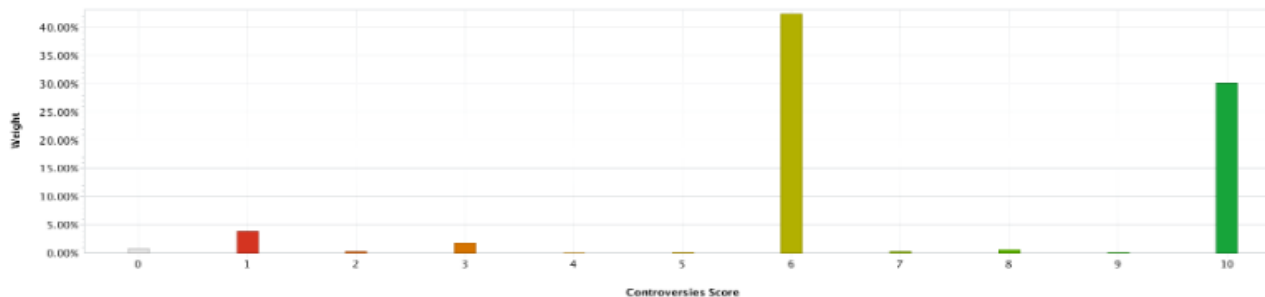
## ESG

As Of: July 14, 2021

### Ratings Summary

ESG Score	5	Environmental	3	Social	5	Governance	6
Controversies Score	7	Resource Use Score	4	Workforce Score	5	Management Score	6
Combined Score	5	Emissions Score	4	Human Rights Score	4	Shareholders Score	7
Companies in this account with ESG ratings	46.79%	Environmental Innovation Score	1	Community Score	7	CSR Strategy Score	5
				Product Responsibility Score	5		

### Controversy Distribution



### Largest Holdings

Symbol	Description	Weight	SCORES					
			ESG	Controversies	Combined	Environmental	Social	Governance
NG	NATIONAL GRID PLC	40.88%	6	6	6	4	7	8
SSYS	STRATASYS LTD	13.74%	2	10	2	0	2	4
LC	LENDINGCLUB CORP	9.63%	3	10	3	0	3	5
GME	GAMESTOP CORP-CLASS A	3.54%	2	1	2	1	2	2
TFA	TELEFONICA SA	1.54%	8	3	6	7	9	7
BB	BLACKBERRY LTD	1.15%	6	6	6	6	6	4
BPY	BROOKFIELD PROPERTY PARTNERS	1.00%	4	10	4	4	4	4
TXMD	THERAPEUTICS MD INC	0.54%	1	8	1	0	3	2
DDD	3D SYSTEMS CORP	0.27%	2	10	2	1	1	4
STMN	STRAUMANN HOLDING AG-REG	0.22%	5	10	5	4	7	5

#### Top Performers

ESG Score
MSFT
AZN
ULVR
GSK
BATS

#### Bottom Performers

ESG Score
3008
AZPN
SOWd
012750
XPER

**Combined Score** - The ESG combined score is the simple weighted average of all ESG Combined Scores for all companies within the fund based on the reported information in the environmental, social and corporate governance pillars (ESG Score) with an ESG Controversies overlay. Low controversies score indicate the companies within the fund on average have received negative events or there have been new developments from past negative events in the last fiscal year.

# CONCLUSION

- VCC structure attracts many new funds and facilitates fund management in Singapore
- ESG Requirements is a prevailing future trend with new guidelines being announced in June 2022 in Singapore
- Electronic Brokerage provides VCC with account custody and tools to comply with ESG with digitalization and low operational costs.



THANK YOU!