The fund vehicle: L-QIF against VCC

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The three questions

A manager who wants to run pooled digital-asset capital from one or both hubs has to answer three questions in order. Where is the fund vehicle? Where is the manager licensed? Where are the assets custodied? Each hub has a strong answer to the first question, the Swiss L-QIF and the Singapore VCC. Each has a licensing regime for the second that is mature for securities and uneven for tokens. Each has a custody market for the third that is deeper than most managers expect. Part E (Chapter VI) together with Part M (Chapter IV) sets out the substantive law of each regime. This chapter compares them and describes the combinations that work.

The Swiss L-QIF

The limited qualified investor fund has been available since 1 March 2024. It is a collective investment scheme open only to qualified investors that requires no authorisation or approval from FINMA, in the legal forms of a contractual fund, a SICAV or a limited partnership for collective investment.[1] The price of that freedom is that the L-QIF must be administered by a FINMA-licensed institution. For a contractual fund or a SICAV that is a fund management company. For a limited partnership it is a manager of collective assets.[2] The L-QIF has no investment restrictions beyond those its own documents impose, so it can hold tokens, stake them, lend them and take concentrated positions, subject to the risk-diversification rules that apply by default unless the documents provide otherwise.[3]

Three features matter for a crypto fund. The L-QIF is tax-transparent for Swiss purposes in the contractual and SICAV forms. Swiss withholding tax applies to its distributions and Swiss investors are taxed on their share of its income. Private Swiss investors keep the capital gains exemption on the fund's gains if the fund's documents and reporting separate income from gains.[4] The fund management company requirement means that a Zug manager cannot run an L-QIF alone. It must engage one of the Swiss fund management companies, few of which take crypto strategies. The ones that do charge accordingly. And the "qualified investor" restriction tracks the professional-client definition of FinSA, which includes high-net-worth individuals who opt out of retail protection with assets of CHF 500,000 and relevant experience, or CHF 2 million without.[5]

The Singapore VCC

The variable capital company has been available since 14 January 2020. It is a corporate fund vehicle with variable capital, sub-funds with segregated assets and liabilities and the ability to redeem shares

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out of capital.[6] It must be managed by a permissible fund manager, which means a licensed or registered fund management company, a bank or a financial institution exempt from licensing. It must have at least one director who is a director or qualified representative of that manager and at least one director ordinarily resident in Singapore.[7] The VCC is treated as a company for tax purposes and can apply for the fund tax exemptions under ss. 13O and 13U of the Income Tax Act. These exempt specified income from designated investments subject to conditions on fund size, local business spending and investment professionals. Since 2023 the manager must also hold its own capital markets services licence.[8]

The question that has occupied crypto managers is whether digital assets are "designated investments" for the purposes of the exemptions. The list in the Income Tax (Exemption of Income of Prescribed Persons Arising from Funds Managed by Fund Manager in Singapore) Regulations covers securities, derivatives, units in trusts and a range of other instruments. Since the 2023 revisions it has included digital payment tokens in defined circumstances. A VCC holding bitcoin and ether can therefore obtain the exemption on gains from those holdings if the other conditions are met.[9] Staking rewards and lending income are not gains from the disposal of a designated investment and their treatment under the exemption remains uncertain.

The comparison

Feature	Swiss L-QIF	Singapore VCC
Legal basis	Arts 118a ff. CISA, in force 1 March 2024	VCC Act 2018, in force 14 January 2020
Regulatory approval	None (notification to FINMA by the administrator)	None for the VCC; manager must be licensed
Investors	Qualified investors only	Any, subject to SFA offer rules; in practice accredited and institutional
Mandatory administrator	FINMA-licensed fund management company or manager of collective assets	Permissible fund manager (licensed FMC, bank or exempt institution)
Legal forms	Contractual fund, SICAV, LPCI	Corporate, with sub-funds
Investment restrictions	None beyond fund documents	None beyond fund documents and manager's licence scope
Tax status	Transparent (contractual, SICAV); LPCI transparent	Opaque company; ss. 13O/13U exemptions available
Withholding on distributions	35 % Swiss withholding tax, reclaimable by treaty	None
Digital assets permitted	Yes	Yes; designated-investment status for DPTs conditional
Time to launch	Eight to sixteen weeks once administrator engaged	Four to ten weeks once manager licensed

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Feature	Swiss L-QIF	Singapore VCC
Custody	Swiss custodian bank or approved custodian; crypto custodian by delegation	Custodian appointed by manager; licensed DPT custodian for tokens

Notes

1. Collective Investment Schemes Act of 23 June 2006 (CISA; KAG), SR 951.31, Art. 13 para. 2bis (no authorisation required for an L-QIF in the form of a SICAV or LPCI) and Art. 15 para. 3 (the documents of an L-QIF and their amendments require no approval), as inserted by the Federal Act of 17 December 2021, in force 1 March 2024.
2. CISA, SR 951.31, Arts 118g and 118h (administration of the L-QIF by a fund management company; delegation of investment decisions to a manager of collective assets; LPCI managed by a manager of collective assets). Part E, Chapter VI.
3. CISA, SR 951.31, Art. 118n (investments: no restriction to particular assets; the fund documents define the permitted investments and the risk distribution) and Art. 118o (securities funds and real estate L-QIFs). Collective Investment Schemes Ordinance (CISO; KKV), SR 951.311, Arts 126a ff.
4. DFTA, SR 642.11, Art. 10 para. 2 and Art. 20 para. 1 lit. e (taxation of investors in collective investment schemes; transparency); Withholding Tax Act (WHTA; VStG), SR 642.21, Art. 4 para. 1 lit. c (withholding tax on distributions of Swiss collective investment schemes). Part G, Chapter II.
5. FinSA, SR 950.1, Art. 5 paras 1 and 2 (opting out by high-net-worth retail clients: CHF 500,000 with knowledge and experience, or CHF 2 million); CISA, SR 951.31, Art. 10 para. 3 (qualified investors are professional clients under FinSA).
6. Variable Capital Companies Act 2018 (2020 Rev. Ed.), ss. 2 (definition), 29 to 31 (umbrella VCC and sub-funds; segregation of assets and liabilities) and 36 (redemption out of capital), commenced 14 January 2020.
7. Variable Capital Companies Act 2018, s. 46 (manager must be a permissible fund manager) and s. 48 (directors: at least one resident; at least one who is a director or qualified representative of the manager); Variable Capital Companies Regulations 2020.
8. Income Tax Act 1947, s. 13O (Singapore resident fund) and s. 13U (enhanced tier fund); MAS, Circular FDD Cir 09/2023 of 5 July 2023 (revised conditions from 1 January 2024 to 31 December 2024) and subsequent circulars extending the scheme and revising the conditions. Part M, Chapter IV.
9. Income Tax (Exemption of Income of Prescribed Persons Arising from Funds Managed by Fund Manager in Singapore) Regulations 2010, reg. 2 and Schedule (designated investments); MAS, Circular FDD Cir 09/2023, Annex (inclusion of digital payment tokens as designated investments with conditions). Part M, Chapter IV.

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