The Zug pattern: GmbH, foundation and Singapore OpCo

Dr Alexander Ressos, TEP
Of Counsel, KGP Legal LLC
Attorney-at-Law (Switzerland and Germany), Solicitor (England & Wales and Hong Kong)

The structure that most protocol projects in Zug end up with has three legs. A Zug or Zürich GmbH or AG employs the core team, owns the trademarks and non-protocol intellectual property and contracts with service providers. A Zug foundation, or increasingly a foundation under ESA supervision, holds the protocol treasury, funds development through grants and service agreements, and represents the protocol towards exchanges and the community. A Singapore private company, the subject of Chapter III, serves the Asian market, employs the Asian team and, where a licence is needed for Asian activities, holds it. The protocol's open-source code is released under a licence that vests nothing in any of the three, so that no entity "owns" the protocol.

Each leg carries a function the others cannot. The operating company can be owned by the founders and sold. The foundation cannot be owned and therefore cannot be accused of enriching anyone. The Singapore company gives the group a second time zone, a second banking relationship and a second regulatory home. The weaknesses of the pattern are the ones this Part keeps returning to: three sets of accounts, three boards, intra-group agreements that must be at arm's length and a transfer-pricing exposure on the service fees that Chapter IV examines.

Example

A team of four, two in Zürich and two in Singapore, is building a layer-2 settlement protocol with a planned token launch in eighteen months. They form Settle Labs GmbH in Zug with CHF 20,000 of capital held by the four founders, which employs the Zürich pair and contracts the Singapore pair through Settle Asia Pte. Ltd., a wholly owned subsidiary formed under Chapter III. Eight months before launch they establish the Settle Foundation under ESA supervision with a CHF 50,000 endowment from the GmbH and a purpose clause covering the development, security and dissemination of the protocol and the administration of its token treasury. The board comprises one founder, two independent Swiss professionals and two external advisers. At launch the foundation receives 25 per cent of supply, the GmbH receives 15 per cent for the team under a four-year vesting schedule, and 60 per cent goes to the community through the mechanisms in Chapter V. The foundation enters a three-year development agreement with the GmbH at cost plus a margin benchmarked against comparable service agreements. Settle Asia Pte. Ltd. enters a market-development agreement with the foundation on the same basis.

Copyright © 2026 Dr Alexander Ressos, TEP – Of Counsel, KGP Legal LLC. SingaporeIQ is an information website and gives no legal advice. For Singapore law advice through KGP Legal LLC, please write to alexander.ressos@kgplegal.com.sg