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SINGAPORE
IN FOCUS
2021

GOVERNANCE, INTEGRITY, BEST PRACTICE

APAC MOVES TO GLOBAL SECONDARIES

CLIMATE CHANGE AND SUSTAINABILITY

FEATURING
CLIFFORD CHANCE, PWC, GORDIAN CAPITAL, SOLAS, APEX GROUP AND SINGAPORE FUNDS INDUSTRY GROUP

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SINGAPORE: THE 'GO TO' DOMICILE FOR ASIA PACIFIC EXPANSION

BY KRISTINA WEST

Singapore continues to make significant efforts to further promote the appeal of the Lion City to hedge funds, private equity and other alternative investment managers, and it seems that its strategy is working. In 2020, Singapore's asset management industry grew strongly, with assets under management (AuM) rising more than 17 per cent overall and at 31 per cent year-on-year in the alternatives sector. Venture capital and private equity continue to be strong performers within this segment.

Singapore provides a key gateway for global investment managers seeking to raise assets and invest across Asia Pacific's financial markets and with a significant family office presence, Singapore also represents an important fundraising hub for those seeking to expand in the region.

A GAME-CHANGING STRUCTURE

Last year, the unveiling of the Variable Capital Companies (VCC) Act was widely seen in the investment industry as a potential game-changer. In addition to facilitating increasingly attractive and efficient structures for Asia-centric hedge fund strategies and other regional and global alternative investment strategies, the new investment fund framework is expected to have major employment benefits for Singapore's financial services sector and beyond.

The VCC provides the fund management industry with a new corporate structure tailored for investment funds, offering them greater operational flexibility and cost savings. "Fund managers using the VCC framework benefit from its flexible capital structure, effective segregation of assets and liabilities, and ability to cater to open and close-ended funds," says Gillian Tan, Assistant Managing Director (Development & International), Monetary Authority of Singapore (MAS).

Some fund managers have even redomiciled their existing funds to Singapore, including from Cayman Islands, Bahamas, Mauritius and Cook Islands. "This demonstrates the global appeal of VCC to fund managers who seek to enhance the substance of their activities locally, and to maximise operational efficiencies and cost savings from co-locating their fund management and fund domiciliation activities in Singapore," Tan adds.

Its successful launch has been a catalyst for growth, but also shows the need for sustainable digital capabilities and regulatory developments to grow Singapore as a digital asset hub. Martin O'Regan, Managing Director at Solas, says: "The growing sophistication of funds will require directors to demonstrate skills in risk, strategy oversight, compliance and investment processes."

A NEW ASSET MANAGEMENT ECOSYSTEM

While the VCC has been a key development, it is not the only one.

To underscore how the island views its position within the global funds industry, its financial regulator, MAS, recently announced a new partnership between it and the private sector to burnish Singapore's reputation as a leading full-service asset management and fund domiciliation hub.

Known as the Singapore Funds Industry Group (SFIG), its mission is to bring together key players across the entire asset

management value chain, including not just fund managers but also lawyers, tax advisors, fund administrators and corporate directors. These service providers work closely with fund managers to support a fund's operations throughout its life cycle in areas such as fund structuring and set-up, fund administration, regulatory reporting, tax advisory, and fiduciary oversight.

Tan comments: "We encourage the fund management and administration industry to tap on SFIG to help ideate, test and implement as it works on digital utilities and infrastructure, provide feedback and insights on regulatory, legal and tax frameworks conducive to Singapore's development as a funds hub, and contribute content and attend its training and engagement sessions."

SINGAPORE IN THE GREEN LANE

With the UN's COP26 summit approaching, Singapore is positioning itself to play a key role as the financial services hub in Asia. Ashmita Chhabra, Managing Director at Apex Group, comments: "Pressure is mounting on the financial sector, not least from the regulators."

MAS has released a sustainability report to prompt development of a green financial ecosystem and is fostering the development of a green bond market, with its Sustainable Bond Grant Scheme encouraging the issuance of ESG-compliant bonds in Singapore.

Further, a Green Industry Taskforce has been convened, proposing a taxonomy and launching an ERM handbook among other measures to promote ESG considerations in the Singapore markets, while MAS is looking to set out its expectations on disclosure standards that must be met by retail funds in Singapore early in 2022.

Armin P. Choksey, Partner, Asian Investment Fund Centre Leader at PwC Singapore, says: "The road to developing a global ESG standard has still some time to go but the journey has already begun with one initiative at a time."

SECONDARY MARKET GROWS IN APAC

Meanwhile, despite relatively small numbers of five to 10 per cent of global volume, the Singapore secondaries market continues to grow as such transactions become more 'mainstream', and there is cause for further optimism.

Tom Lin, Partner, and Morgan Shubin, Senior Associate at Clifford Chance, comment: "Our view is that, with the benefit of deal trends and sentiment from global transactions, the Singapore ecosystem is particularly well set up to support significant growth of the secondary strategy."

A VISION OF THE FUTURE

It feels like exciting times lie ahead for the Lion City, both for fund managers and service providers alike. Imagining how the industry will develop from 2021-2035, Mark Voumard, Founder and CEO at Gordian Capital, predicts a global economic shift to Asia; strong growth as an asset management and fund domiciliation hub; and the introduction of its own digital currency.

This report will shine a light on all those looking to get a better understanding of Singapore's virtues, and its myriad benefits, and why it is fast becoming the 'go to' option for Asia Pacific expansion. ■


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SINGAPORE: OPTIMAL LOCATION FOR GLOBAL ASSET MANAGEMENT

BY ASHMITA CHHABRA AND MARK VOUMARD

Singapore stands out as best in class as a location to do business in APAC with its political and economic stability, sound and predictable regulation, an engaged regulator, world-class infrastructure, and as an innovative financial centre with a well-developed range of service providers.

Singapore is fast becoming an APAC hub for asset managers domiciling their investment funds in addition to their investment management activities. Singapore's asset management industry grew strongly in 2020, with AuM rising by more than 17 per cent to SGD4.7 trillion (USD3.50 trillion).

The introduction of the Variable Capital Company (VCC) in January 2020 generated strong interest from local and a growing number of global investors, even during the pandemic with over 400 VCCs launched to date. Recognising a need for investment funds to be structured as corporate entities, the VCC incorporates the best features of a fund into a corporate structure, providing a flexible and effective option for global asset and wealth managers looking at the region. Additionally, VCCs can avail themselves of certain tax incentive schemes, including access to 90+ DTAs. Singapore is the ideal location to domicile Asian-focused funds and further, a base to forge fund distribution and wealth management partnerships.

Apart from asset managers, family offices have been early adopters of the VCC, leveraging the novel features of the structure, with the combined benefit of government incentives for family relocation, coupled with tax incentives and exemptions for family offices, for more effective wealth management.

Singapore's strong focus on sustainability resulted in the MAS being the first central bank in Asia, and the second in the world, to publish a standalone sustainability report in June 2021, setting out its strategies to facilitate Singapore's transition to a low carbon future.

MAS is working with financial institutions to strengthen the Singapore financial sector's resilience against environmental risks, further cementing its commitment to ESG mid-2021 by announcing it is investing USD1.8 billion (SD2.4 billion) into climate-related investment opportunities.

Singapore is extremely well positioned for global asset and wealth managers, asset owners, banks and other financial institutions that have begun to add Singapore in their asset management hub set-up and expansion plans to ride the growth momentum in and from which to access the region.

The launch of Singapore Funds Industry Group (SFIG) in April 2021, as a partnership between MAS and the private sector brings together the entire asset management ecosystem (investors, fund managers and service providers) with a common goal of supporting Singapore's rise to a leading global full-service asset management and fund domiciliation hub.

SFIG's mandate is to identify emerging industry trends and formulate strategies that will drive this mission via four Working Groups: Infrastructure & Innovation, Policy, Capabilities & Training, and Promotion & Advocacy.

MAS has been lauded as a forward-thinking regulator demonstrating a willingness to engage and collaborate with practitioners to create a balanced and effective environment for business, which goes a long way in supporting the growth and further development of the asset management industry in Singapore. ■

ASHMITA CHHABRA

MANAGING DIRECTOR
BUSINESS DEVELOPMENT - ASIA PACIFIC, APEX GROUP

Executive Committee Member and Co-Chair of the Promotion and Advocacy Working Group, Singapore Funds Industry Group (SFIG). Ashmita is based in Singapore and oversees business development and strategy at Apex Group. She has over 17 years' experience working with asset allocators and fund managers in the alternatives funds sector. Prior to Apex, Ashmita spent a decade building the global alternatives research business at Eurekahedge, a subsidiary of Mizuho Bank with her teams in Singapore and New York. She is Chair of the Singapore Fund Administrators Association (SFAA).

MARK VOUMARD

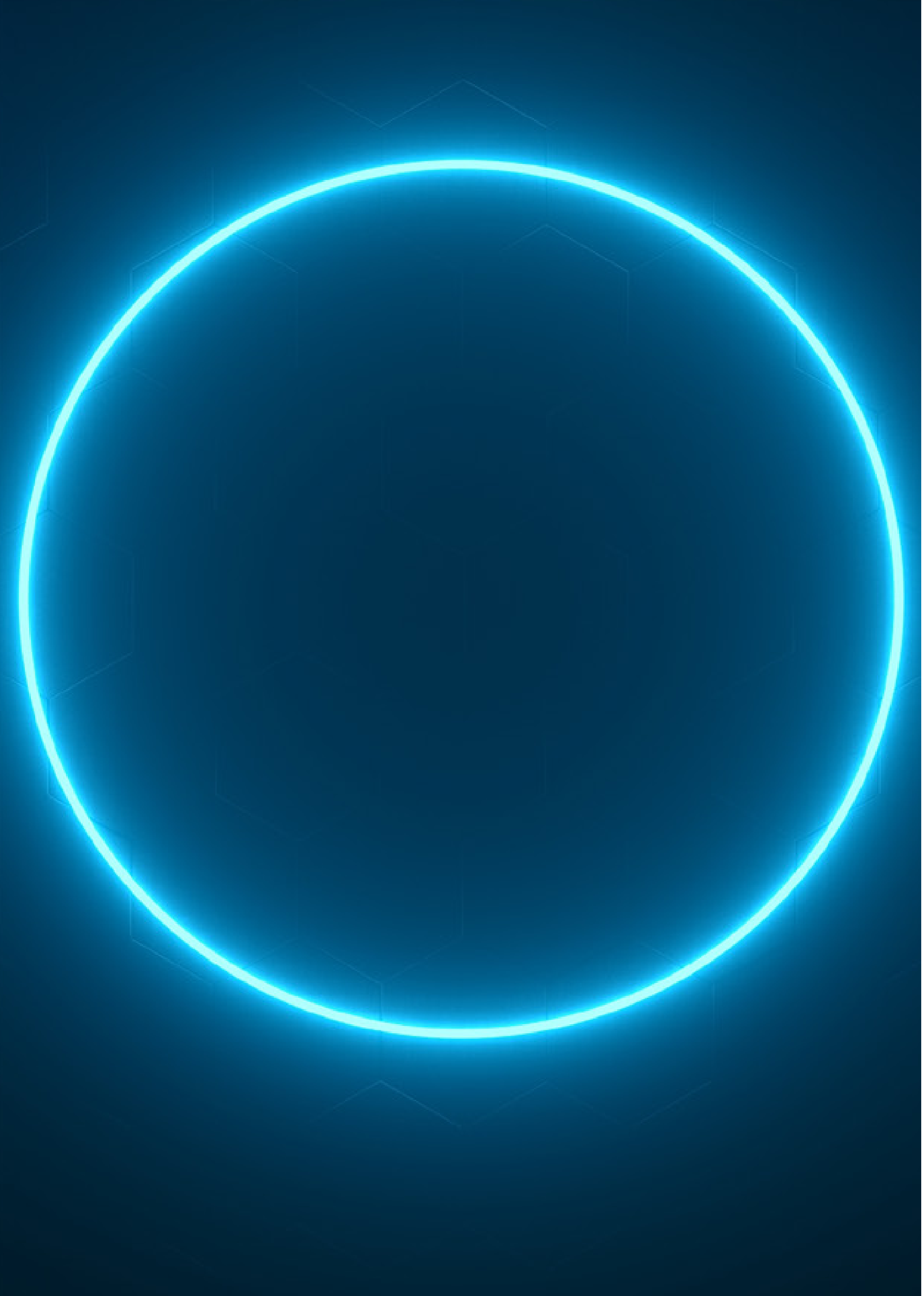
FOUNDER AND CEO OF GORDIAN CAPITAL

Executive Committee Member and Co-Chair of the Promotion and Advocacy Working Group, Singapore Funds Industry Group (SFIG). Mark Voumard who has almost four decades of experience in Asia, is founder and CEO of Gordian Capital, Asia's leading independent alternatives institutional platform and fund structuring specialist (AUM USD7 billion) where since 2005, he has been involved in the structuring and launch of over 100 funds (hedge, private equity, venture capital, real estate, and private credit).

SINGAPORE

THE ASSET MANAGEMENT CENTRE OF THE FUTURE

BY MARK VOUMARD



THE GENESIS OF SINGAPORE'S ASSET MANAGEMENT INDUSTRY DEVELOPMENT: 2021 – 2035

It's 2035 and Jane Lee, a resort hotel executive in Singapore is planning to invest in one hedge fund and two mutual funds, all Variable Capital Company's (VCC) managed by asset managers based in Singapore, Asia's largest asset management centre, fund domiciliation hub and private banking nexus. Her AI digital PA navigates to her personal, cloud based, financial portal reviewing the latest return data and scans her personal, long term financial plan and goals, leading to approval, and Jane is ready to invest. Her AI program using U-Reg, an advanced KYC/AML software, locks into each manager's online application and completes each subscription form in 30 seconds, supplying certified true copies with a digital watermark of her passport, proof of address and proof of Accredited Investor status. Each fund manager's AI system check and verify all the information resulting in approval within five minutes, with Jane's AI PA remitting funds in Singapore's digital currency, the SG-ED.

GLOBAL ECONOMIC SHIFT TO ASIA

In 2021, a Regional Comprehensive Economic Partnership (RCEP) pact (and the world's largest free trade agreement) was signed, focusing on reducing trade barriers in Asia. By 2030, it was adding USD220 billion a year to world incomes and USD560 billion to world trade. In 2031, China surpassed the US as the world's largest economy and by 2033, 42 per cent of world GDP and 36 per cent of global consumer spending was generated in Asia.

The period 2022 to 2029, saw technological innovation and the rapid adoption of technology by governments in Asia; in particular, in Singapore, where the city state ramped up subsidies and multiyear training of the local workforce, to truly transform itself into a knowledge economy. The adoption of digital tools and processes boosted productivity growth and unleashed a wave of innovations across many domestic sectors including finance and asset management.

STRONG GROWTH AS AN ASSET MANAGEMENT AND FUND DOMICILIATION HUB

By 2035, global Assets Under Management (AuM) grew from USD89 trillion in 2021 to

USD240 trillion (CAGR 6.84 per cent). By 2035, AuM across the asset management industry in Singapore rose from USD3.5 trillion to USD20 trillion (CAGR 14.34 per cent), second globally as a fund hub, only to Luxembourg USD22 trillion (CAGR 11.27 per cent), followed by Shanghai with USD15 trillion. Whilst investment vehicles established and operated in Luxembourg and Singapore are used to make regional (pan-EU and pan-Asian) investments respectively, in the case of Shanghai, most of the capital and assets are domestic, not cross border. In the region, both Australia and Japan have built large pools of domestic capital in domestic vehicles but with a focus still on primarily investing in domestic assets.

Singapore's growth spurt began in the early 2020s with the launch of the VCC in January 2020. Singapore was already one of the leading asset management and private wealth centres in Asia experiencing double digit CAGR in AuM when it launched the VCC to bring funds onshore where they could be serviced locally and to win a percentage of the global fund domiciliation business.

Prior to the VCC launch, 85 per cent of the money managed from Singapore was in Cayman structures and 4 per cent in Luxembourg structures. 500 VCCs were launched in the first two years (during the first Covid pandemic) and as of August 2035 there are 7,000 VCCs with 70 per cent of the money managed from Singapore now in Singapore domiciled structures. Globally, the trend to onshoring continued through the 2020s, boosted in part by the rollout of the global minimum tax in 2023 that was extended to the financial industry, hitherto exempt, in 2028. Whilst some US-based managers continue to use Cayman and increasingly Delaware vehicles, the rest of the world, over time, shifted to either Luxembourg, despite the partial break-up of the EU in 2027, for European investments or Singapore for Asian investments.

Between 2021 and 2035, Singapore's share as a percentage of global AuM increased from 3 per cent to approximately 9 per cent and the number of licensed asset managers based in Singapore increased from 1,050 to 2,950. By 2028, the Asian Regional Fund Passport (ARFP), a cross border, online system allowing residents of 15 countries across Asia to access funds domiciled and or managed in each of the other 14 countries, had overcome prior obstacles and was in full swing. By 2029, Asia accounted for 75 per cent of all the venture finance in the world versus 3 per cent in 2005. With a focus on political stability, the rule of law and the strongest IP rights in Asia, Singapore became the regional headquarters for many of the Asian recipients of this wave of money.

USE OF AI BY HEDGE FUNDS

XAI or Explainable Artificial Intelligence (a term created by DARPA) allows humans to understand how and why AI generates a specific set of results and allows managers to be able to explain to investors exactly how alpha is being generated. Singapore bet the house on this technology providing significant government funding for hedge funds utilising XAI, leading to Singapore becoming a world-leading XAI hub.

INTRODUCTION OF DIGITAL CURRENCY

The MAS issued its own digital currency, the SG-ED in 2025, which further cemented Singapore's position as a centre for crypto and blockchain investing and trading. That said, as more and more central banks issued their own digital currencies (CBDCs) with China leading the charge in 2022 issuing an 'e-yuan' and the US belatedly issuing its own USD-ED in 2028, the growth of independent crypto currencies such as Bitcoin fell dramatically. The use of the SG-ED prompted previously unbanked assets from across Asia to shift into its rigorous financial system and improved speed, cost, and transparency of cross-border payments.

THE TALENT BOTTLENECK

The knowledge economy created tremendous demand for skilled workers with the numbers in the financial industry jumping to 700,000 in 2034 from 200,000 in 2014 and the finance industry contributed to 48 per cent of Singapore's GDP in 2034 versus 19 per cent in 2021. The path was not easy with a talent bottleneck developing in the asset management industry between 2020 and 2022. A subsequent significant increase in the number of global asset managers basing themselves in Singapore, bringing with them international expertise, beneficial for knowledge transfer and upskilling of the local workforce, combined with strong support by the MAS for academic programs and training provided by the industry, resulted in a significant expansion of financially trained workers. ■

MARK VOUMARD

FOUNDER AND CEO OF GORDIAN CAPITAL

Executive Committee Member and Co-Chair of the Promotion and Advocacy Working Group, Singapore Funds Industry Group (SFIG). Mark Voumard who has almost four decades of experience in Asia, is founder and CEO of Gordian Capital, Asia's leading independent alternatives institutional platform and fund structuring specialist (AUM USD7 billion) where since 2005, he has been involved in the structuring and launch of over 100 funds (hedge, private equity, venture capital, real estate, and private credit).

THE GLOBAL SECONDARIES MARKET

WHAT SINGAPORE-BASED SPONSORS CAN LEARN

BY TOM LIN AND MORGAN SHUBIN, CLIFFORD CHANCE

It has become fashionable to say that secondary transactions are now 'mainstream', with some market participants pointing to the flourishing GP-led segment of the market as a 'fourth leg' option for liquidity alongside conventional exit routes for PE assets (i.e. sale process, IPO or recapitalisation). That might not be necessarily a perfect characterisation, though we suspect it might be to a degree with some nuance. However you might characterise it, the growth in deal activity (market commentators expect transaction value to exceed USD100 billion for the first time in 2021), extraordinary fundraising, the concerted expansion of global managers into the strategy (whether through acquiring established platforms or team build-outs) all points toward one direction of travel: bigger, more competitive and more complex.

A GROWING MARKET

The pandemic has supercharged the growth in transactions led by the sponsor, or GP-led secondaries to use jargon, involving single assets or concentrated portfolios with a crown jewel. This was driven in part by the outlook of an uncertain exit environment as the macroeconomic shock of the pandemic first took hold, coupled with (and giving way to) a recalibration of sponsors' (and investors') expectations on value and growth potential resulting from the market dislocation. Tailwinds driving the accelerated growth potential of certain asset classes resulted in GPs doubling down, whilst headwinds facing other asset classes resulted in GPs looking to extend holds on assets with strong fundamentals to undertake strategic pivoting.

Our perspective at Clifford Chance is perhaps unique in that our 'boots on the ground' capital solutions team in Singapore is lucky enough to run deals across European and APAC opportunities. Whilst the market opportunity in APAC has historically been small by comparison (it's commonly accepted that APAC represents around 5-10 per cent of global secondaries volume), there is cause for optimism in regional activity growth driven by a number of factors. A slowdown in primaries, a backlog of transactions disrupted by the pandemic, and the opportunity for international investors to use a secondary strategy to access mature assets in the region as a means of diversification, are commonly recognised as such factors. In this context, supported by a strong advisory community on the ground in Singapore and elsewhere in the region, more proven GPs are reviewing assets through the secondaries lens which, empirically, has resulted in higher quality GPs bringing deals to the market during 2021.

LEARNING THE LESSONS

Singapore-based sponsors thinking about entering the secondaries market will be in the privileged position of being able to build on the lessons learned in the US and European secondaries market, allowing for swifter identification of key issues and an ability to refer to 'market practice' where relevant and helpful. For example, an issue that has received a lot of attention in global secondaries transactions is how conflicts of interest are managed and, for some market participants, the increasingly robust approach that GPs are taking towards conflicts management. In a GP-led secondary transaction, the sponsor

sits on both sides of the trade. One thing we have observed as perhaps the biggest issue in the whole area is validating valuations and LP agitation about the extent to which value was really right. We think LPs are increasingly sceptical about fairness opinions (often commissioned by the LPAC or advisory committee of a fund, around the process of conflict management rather than the actual proposed price) and, as a consequence (and certainly for the concentrated or single-asset deals), they expect to see more market-testing of value with lead secondary buyers being bidders in a market auction akin to a traditional M&A buyout.

In relation to deal terms, careful consideration must be given to the manager's duties to each of the buying and the selling entities, and how best to evidence the mitigation of conflicts of interest to the investors in each vehicle. This may be particularly acute where a sponsor is asking for a staple, or when bringing in their current flagship fund to co-invest alongside the secondary vehicle (a trend we have seen emerge as the equity cheques required now routinely exceed what can be put together with only one or two lead underwriters of a deal – not to mention the 'strong buy signal' that comes about with a sponsor's flagship fund coming into a deal). What should the liability package look like and does that pass muster as a reasonable allocation of risk from a buy-side and a sell-side perspective? How do you price in an identified but unquantifiable risk (e.g. an ongoing tax or regulatory investigation)? How do you structure rollover election options when pressured to not offer a 'status quo' option for the existing investors by over-subscribed buy-side demand from lead secondary buyers?

READY TO GO

Our view is that, with the benefit of deal trends and sentiment from global transactions, the Singapore ecosystem is particularly well set up (and we would say is more than ready) to support significant growth of the secondary strategy in the immediate timeframe for pan-APAC opportunities. The increasing availability of W&I insurance for these types of deals and access to the underwriting markets from Singapore-based brokers, is one example. As a financial hub, the private capital participants on the ground (experienced placement agents, counsel and lenders) in Singapore will support managers seeking to move into, or increase their presence in, this segment of the market. The key, as always, is proactively planning transactions with transparency in mind and adapting deal technology developed globally to local market conditions. ■

MORGAN SHUBIN

SENIOR ASSOCIATE

Morgan Shubin specialises in the establishment and operation of private funds, and secondaries deal technologies. Morgan advises a wide range of private investment fund houses, including those focused on private equity, venture capital, real estate, debt and funds of funds, in relation to their private fund structures, secondaries transactions, co-investments, carried interest schemes and the funds aspects of M&A transactions. Morgan also advises investors in relation to the terms of their investments in private funds.

TOM LIN

PARTNER

Tom Lin specialises in M&A and corporate finance with a focus on private equity transactions, advising on buyouts, secondaries, joint ventures, MBOs, minority and co-investments, public M&A, management incentives and restructurings. Tom has particular market recognition for his work in complex private equity secondaries transactions and is regularly sought out to advise on GP-led liquidity offerings in Asia and Europe.

SINGAPORE: FOSTERING GOVERNANCE, INTEGRITY AND BEST PRACTICES

BY MARTIN O'REGAN

Comprising more than 1,000 managers with USD4 trillion of assets under management makes Singapore a leading Asian investment management hub. These impressive numbers demonstrate potential for the ever-changing industry.

A shifting and growing business landscape requires firm leadership, thoughtful insights, reforms, and competency training to ensure the community can continue to capitalise on industry trends. The successful launch and take on of the Singapore Variable Companies Act (VCC) has been the catalyst for a lot of the current growth. With a pro-business regulator marketing locally and overseas, together with the local funds community being strong advocates of the VCC, are the leading reasons for its growing success.

Designed to meet the changing global regulatory trends, VCC's growth in Singapore since its introduction in 2020 has seen a diverse range of VCC set ups. At Solas, we have onboarded VCCs for family offices, charitable trusts, long/short equity, private equity and venture capital (mainly in life sciences, deep tech and biotech). For VCC to function as a collective investment vehicle, it can be applied as a Master-Feeder structure where VCC is the master and a feeder. For master VCC, it has mainly been applied for Indian focused portfolios to help comply with onshore Indian regulations and a Cayman feeder in the same structure to capture the NRI investment community. We have seen VCC being a feeder into Luxembourg masters and the VCC is also a pooling vehicle for Asian investors.

Singapore's status as a fast-growing investment hub has a lot of regional and global managers looking for access to Asia via Singapore. This upward trend has Solas engaging in more double taxation work from the private equity and real estate sector. The Singapore Double Tax Treaty furthers Singapore's global competitiveness — to meet the demands, Solas provides services to help clients meet tax substance requirements for holding companies and SPVs by providing resident directors, facilitating board meetings for investment and divestment decisions and quarterly meetings for oversight and governance of the ongoing operation of those Singapore entities.

We are proactively gearing up for the dynamic investment landscape by improving our infrastructure and product offering. As we anticipate 2022, Solas has developed in-house capabilities for digital assets and Environmental, Social and Governance (ESG), which we see as key drivers going forward. Aside from VCC, sustainable investing will add value to Singapore with the metrics sizing up the sustainability of an investment or business, thus attracting more investors. To better serve digital assets, we have brought in industry experts to help develop our due diligence and onboarding process, upgrade our policies and procedures and revamp our ongoing monitoring for this asset class. We have been involved with the first digital asset fund to be tokenised on the ADDX platform, and this being the first VCC on ADDX was very exciting for us.

With the demand growing from progressive investors and fund managers, it is about building more substantial digital capabilities and regulatory developments to grow Singapore as a digital asset hub.

FOSTERING GOVERNANCE, INTEGRITY AND BEST PRACTICES

With growth comes change; in the past, the roles of independent fund directors were relatively passive, however with the increased level of complexity in the industry, directors must now account for the value they can bring to the board. The growing sophistication of funds will require directors to demonstrate skills in risk, strategy oversight, compliance and investment processes. It is increasingly important to discuss fund directors' role and effectiveness in protecting the fund and its investors. They are the accountability and independence that investors count on to maintain the integrity of the fund.

This is where the independent fund directors' knowledge and code of conduct have shifted from a nice-to-have to a must-have. They must understand what works under the current system and what doesn't. Fund directors provide an oversight function for investors and bring impartiality and experience to a fund's board and the fund's affairs and activities. Investors look at the comfort of independence that you are acting on their behalf. Transparency and transparent reporting are what regulators look at; hence, while there is no legislation in VCC for how directors should behave, I have helped set up and chair the Singapore Fund Directors Association (SFDA) to outline best practices that will serve the industry's interests. The SFDA has developed a Code of Conduct which intends to provide the board of directors of investment fund entities with a framework of principles and best practice recommendations for effective and efficient governance. The framework is also intended to ensure that fund directors demonstrate a high standard of professionalism and ethical behaviour when discharging their obligations. In Singapore, it is still a work in progress and, as a community, we are working on setting high standards in motion.

Gaining unparallel access to the community through industry-led initiatives sets a way forward for professional conduct practices and competency training. The SFDA sets out to be a dynamic facilitator of excellence in fund director practices through education, information sharing or exchange and accreditation.

REVAMP OF LIMITED PARTNERSHIPS

As Singapore strives to create a holistic ecosystem of governance and best practices, the momentum of the private equity market in South East Asia also sees a revamp of the limited partnership regime.

Overseen by a mutual limited partnership agreement, the benefit of a limited partnership is that there is no legal reporting requirement for the return of capital and distribution of profits that you see with companies. While this offers the flexibility of raising capital without giving up control, companies organised as limited partnerships pose particular risks to investors. They do not enjoy the same rights as corporate shareholders.

ACRA's recent call for feedback to revamp the Limited Partnership Act (Chapter 163B) that governs the establishment of limited partnerships is a welcome move to make the funds friendlier and attractive. This will bolster Singapore's position as an established asset and wealth management centre.

Working together with regulators and fund management industry associations like SFDA to introduce policy initiatives to enhance further and expand LPs' appeal makes it a compelling alternative to well-established fund structures in other jurisdictions. Understandably, time to familiarise and accept new policies is needed. Again, how the industry uses these advantages will depend on the efficacy and critical knowledge of the asset management value chain.

WHAT'S COMING

The local asset management industry continues to build capacity and capabilities, securing steady progress, especially during these challenging times. Solas is excited to be a part of it. Our new motto: Leading the Way Forward: Reliable, Relatable and Reputable, continues to signify our commitment to expand our knowledge with well-established fund industry experts in our professional network, growing our experience and reputation. We hope to grow with the industry as it grows for us. ■

MARTIN O'REGAN

MANAGING DIRECTOR

Martin O'Regan is an Independent Director with over 20+ years' experience and a qualified accountant (FCPA, FCCA). Prior to setting up his own directorship firm at Solas Fiduciary Services, he spearheaded Intertrust Singapore to expand its fiduciary services in Asia. He previously headed the alternative Funds Services in Asia for Deutsche Bank, Citi Fund Services (Bermuda), Apex Fund Services (Dubai) and UBS Fund Services (Cayman Islands and Hong Kong). Martin is licensed as a director with Cayman Islands Monetary authority (CIMA), and Chairman of the Singapore Fund Directors Association (SFDA).

SINGAPORE IN THE GREEN LANE

BY ARMIN P. CHOKSEY

In In the last few years, the world has witnessed significant progress in harmonising environmental, social, and governance (ESG) disclosure frameworks. The launch of new initiatives globally shows that both investors and stakeholders recognise the value of streamlining ESG disclosures and the importance of consolidating them.

Singapore stands at the cusp of green innovation. It has the prowess to not only become a sustainable development hub but also contribute effectively to global ESG research and standards.

SINGAPORE LEADING THE WAY

The regulatory push in Singapore has been encouraging to promote the adoption of ESG among financial institutions and the marketplace at large. Singapore's pragmatic and progressive regulatory authority, Monetary Authority of Singapore (MAS), has been engaging financial institutions to consider ESG criteria in their decision making and product development process.

For instance, MAS' Sustainable Bond Grant Scheme encourages the issuance of green, social and sustainability bonds in Singapore and is open to first-time and repeat issuers. Earlier this year, the MAS published the Environmental Risk Management (ERM) Guidelines for banks, insurers and asset managers to strengthen the financial sector's role in the transition to an environmentally sustainable economy.

The Green Finance Industry Taskforce (GFIT) was convened by the MAS and comprises of representatives from financial institutions, corporates, non-governmental organisations, and financial industry associations. GFIT proposed a taxonomy and launched an ERM handbook; issued a detailed implementation guide for climate-related disclosures by financial institutions aligned with TCFD; introduced a framework to help banks assess eligible green trade finance transactions; and launched a whitepaper on scaling green finance in the real estate, infrastructure, fund management and transition sectors. GFIT also launched a series of workshops to build capacity in green finance for financial institutions and corporates

In early 2022, MAS will set out its regulatory expectations on the disclosure standards that must be met by retail funds in Singapore. This demonstrates the practical and focused approach of the regulator which has been a pillar of its success. The road to developing a global ESG standard is still some time to go but the journey has already begun with one initiative at a time.

PwC Singapore is committed to drive sustainable investments and create sustained outcomes. The firm is doing its part to help financial institutions shift towards sustainable investments given that's the future direction. Singapore-headquartered Asian Investment Fund Centre is a part of PwC's network of asset and wealth management industry specialists in Asia Pacific, offering a one-stop shop for various cross-border services. ■

ARMIN P. CHOKSEY

PARTNER, ASIAN INVESTMENT FUND CENTRE, PWC SINGAPORE

Armin leads PwC's Asian Investment Fund Centre and its Asia Pacific Asset and Wealth Management Research Institute based in Singapore. His key areas of focus include: market entry, funds distribution strategies, operational due diligence, responsible investments strategy and implementation, target operating model, product development, policy initiatives, performance measurement and verification, product rationalisation and operational efficiency of the asset and wealth management business.

Asian Investment Fund Centre

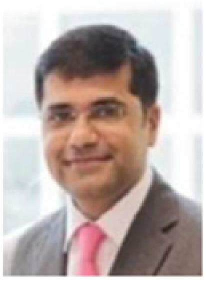
Singapore-headquartered Asian Investment Fund Centre is a part of PwC's network of asset and wealth management industry specialists in Asia Pacific, offering a one-stop shop for various cross border services.

- Operational and investment due-diligence on asset managers
- Deal origination
- Market entry
- Jurisdiction analysis
- Fund structuring
- Market publications
- Asian Fund Passport readiness
- Investment fund fees analysis
- Environmental, social, and governance (ESG) strategy for asset and wealth management
- Target operating model development
- Fund distribution and registration
- Market intelligence and newsflash

How PwC's Asian Investment Fund Centre can help you expand your footprint in the Asian and European fund industry?

https://pwc.to/3vyiQmj

pwc



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SINGAPORE: ADDRESSING CLIMATE CHANGE AND SUSTAINABILITY

BY ASHMITA CHHABRA

With the United Nation's COP 26 summit approaching, the need to do more to address climate chance is once again in focus. As a key financial services hub in Asia, Singapore has an important role in the development and integration of sustainable finance practices into the real economy. The capital market's ability to drive meaningful change by encouraging disclosure, stakeholder engagement and innovative green financing initiatives are all part of Singapore's commitment.

DEVELOPING A SUSTAINABLE ECOSYSTEM

The Monetary Authority of Singapore (MAS) intends to make sustainable finance a defining feature in Singapore's role as a global financial centre. Its inaugural sustainability report, the first of its kind by a central bank in Asia, outlines plan to strengthen and develop a green finance ecosystem, build a climate-resilient reserves portfolio, while reducing its own carbon footprint. Those efforts include testing the climate resilience of its official reserve investments and deploying USD1.8 billion to five asset managers under its Green Investment Programme (GIP) to manage new mandates focused on climate change and the environment.

The investment management industry has also been rapidly developing policies and framework to meet demand and major state-led institutional investors have followed global trends in ESG adoption, with themes such as carbon transition now core to investment decision managing. While much of the disclosure requirements remains voluntary, MAS expects financial institutions operating in the city-state to make climate-related disclosures from June 2022, in line with international frameworks, including the TCFD recommendations.

The EU introduced the first part of its Sustainable Finance Disclosure Regulation in March and plans to have in place more stringent measures next year requiring asset managers investing in the region to produce comprehensive reports, with quantitative ESG metrics around their investments, including carbon emission data points. Regulators in the US and the UK are set to push through similar rules.

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PREPARING TO DELIVER

Having the right tools to provide accurate and meaningful qualitative and quantitative data, like through the use of Apex Group's new Carbon Footprint Assessment solution, will be key to financial sector firms delivering on those regulatory and fiduciary demands. Only by obtaining a clear picture of their ESG performance – both as a business and across their portfolio companies – can they create an action plan that helps ensure they play their part in building a more sustainable future.

Recent research by Apex Group shows that many asset managers in Singapore recognise this responsibility; however, the commitment to act leaves room for improvement. 94 per cent of private equity firms in Singapore agreed that climate change is an urgent issue, with 84 per cent agreeing they and their investments should take greater responsibility. Yet less than half of respondents (40 per cent) measuring their own carbon footprint, and only 32 per cent that of their investments.

Encouragingly, however, all the private equity firms from Singapore that took part in the study said they have plans to be carbon neutral, with 44 per cent already having a well-defined process underway, and 56 per cent planning to do so in the future. Part of that commitment is down to the fact that pressure is mounting on the financial sector, not least from regulators. ■

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The Singapore Funds Industry Group (SFIG) was established in April 2021, as a partnership between MAS and the private sector bringing together the entire asset management ecosystem (investors, fund managers and service providers) with a common goal of supporting Singapore's rise to a leading global full-service asset management and fund domiciliation hub. SFIG's mandate is to identify emerging industry trends and formulate strategies that will drive this mission via four Working Groups: Infrastructure & Innovation, Policy, Capabilities & Training, and Promotion & Advocacy.

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