Gan Kim Yong: Re-positioning SGX for Asia's growth opportunities

Keynote address by Mr Gan Kim Yong, Deputy Prime Minister and Minister for Trade and Industry, and Chairman of the Monetary Authority of Singapore, at the SGX Group 25th Anniversary Securities Market Open, Singapore, 2 January 2025.

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Mr. Koh Boon Hwee, SGX Group Chairman
Mr. Michael Syn, SGX Group President,
Distinguished guests,
Ladies and gentlemen,

Introduction

1. Good morning. I am happy to join all of you here on the 1st trading day of 2025 to celebrate SGX Group's 25th anniversary. This is a significant milestone in SGX's history.

2. SGX has come a long way since its establishment on 1 December 1999 through a merger of three entities – namely, the Stock Exchange of Singapore, the Singapore International Monetary Exchange, and the Securities Clearing and Computer Services.

    a. From its initial days as a demutualised and integrated exchange, it has grown into a leading multi-asset exchange, offering a wide range of products including equities, fixed income, currencies, commodities and derivatives.

    b. In recent years, SGX has also expanded its international presence through collaborations with key regional exchanges. These include exchange-traded fund Product Links with the Shanghai Stock Exchange and Shenzhen Stock Exchange; Depository Receipts linkage with Thailand; and the SGX-NSE GIFT Connect.

    c. The accolades that SGX has received over the years are testament to its innovation, product leadership and commitment to excellence; these include the 'Asia Pacific Derivatives Exchange of the Year' at the GlobalCapital Derivatives Awards, the 'Asia Pacific's Best FX Exchange' at the Euromoney Foreign Exchange Awards, and the 'Best Exchange' at the FX Markets Asia Awards.

3. As the emblem of our local equities market, SGX has also enabled the growth of several well-known Singapore companies by facilitating access to global capital and broadening their investor base.

    a. These range from

        i. Financial institutions such as our three key local banks - namely, DBS, OCBC and UOB - as well as newer digital wealth management platforms like iFAST;

        ii. National champions like Singapore Airlines; and

        iii. Household names like supermarket chain Sheng Siong.

b. During the recent COVID-19 pandemic, our equity market ecosystem also served the liquidity needs of these companies.

i. For example, Singapore Airlines successfully raised over S$5.3 billion in shares rights issuances to tide over the disruptions resulting from the pandemic.

ii. It is notable that equity fund raising in our market reached a 10-year high of S$12 billion in 2020, as issuers tapped on our stock market to strengthen their balance sheet for continued business operations, as well as to pursue expansion and acquisition opportunities.

4. As we mark SGX's silver jubilee, we should not only celebrate how far we have come and what we have achieved, but also reflect on how we can better position SGX for the opportunities that lie ahead.

Re-positioning SGX for Asia's Growth Opportunities

5. Amidst an increasingly fragmented trade and investment environment globally, Asia remains a bright spot.

a. Against the backdrop of a 10% decline in global Foreign Direct Investment (FDI) flows, FDI flows to ASEAN held strong, and reached a high of US$230 billion in 2023. Furthermore, as production and supply chains re-structure in the years ahead, there is opportunity to further attract more FDIs into ASEAN.

b. This is underpinned by strong growth fundamentals, such as a relatively young population, growing middle class and good digital infrastructure.

c. By 2030, India and Southeast Asia are expected to be the 3rd and 4th largest economies in the world respectively. China will also remain a big part of Asia's growth story.

6. Singapore is well-positioned to support and benefit from the growth of our region.

a. We are a leading hub for start-ups in Asia, with over 4,500 tech start-ups, 400 venture capital firms, as well as 250 incubators and accelerators. Our vibrant innovation ecosystem, pro-business environment and strong connectivity have allowed start-ups to access resources and networks and tap on market opportunities, talent and capital here.

b. As a global financial centre, we are also poised to serve as a trusted and efficient marketplace for growing enterprises to raise capital and grow their businesses.

i. Singapore's asset management industry has grown in breadth and depth over the years. Assets under management (AUM) reached S$5.4 trillion as of 2023, a 10% growth from the previous year.

ii. We have also grown into a key node for private equity and venture capitalist (PE/VC) managers seeking growth opportunities in the region. The total AUM managed by PE/VC players in Singapore has increased more than four times since 2015 to over S$650bn as of 2023.

iii. We can position Singapore as a good venue for successful IPO exits, to allow companies to access growth capital and asset owners to recycle capital, creating a virtuous cycle of growth, innovation and a vibrant financial market.

7. To do so, we must strengthen our local stock market. Indeed, as Boon Hwee mentioned earlier and in his letter to shareholders last September, a vibrant and liquid stock market is one of the key pillars of our financial ecosystem.

a. Last year was a mixed picture for our local equities market.

i. On one hand, the Straits Times Index was Southeast Asia's best-performing stock market index. It has gained more than 15 per cent – driven primarily by our three local banks – which marks its best annual performance since 2017. Daily average volumes also grew in tandem, rebounding by more than 50% compared to previous year.

ii. On the other, a combination of global economic uncertainties, high interest rates and competition from regional exchanges as well as alternative fundraising methods had resulted in a dearth of new listings.

b. The establishment of the Equities Market Review Group last August is timely to build on Singapore's strengths and ensure we remain an attractive venue for enterprises to raise capital.

8. As we seek to revitalise our local equities market, we will need to address three key issues.

a. First, on the supply-side, we need to better define the profile of companies we want to attract.

i. The success of our REIT market is a good example of this.

I. Since the launch of the first REIT - namely, CapitaMallTrust - in 2002, SGX has grown to become the largest REITs market in Asia ex-Japan.

II. And with a healthy IPO pipeline comprising data centres, healthcare, industrial and accommodation assets, there is good reason to be optimistic that we will continue to be a preferred listing destination for REITs in Asia.

ii. With exchanges and equities trading becoming a lot more cross-border, it is not surprising that companies are enticed to list on foreign venues where liquidity is concentrated. The Review Group and SGX will therefore need to define the space where Singapore can be attractive to growth companies.

I. Minister Chee Hong Tat had previously shared that the Review Group is looking at companies which are already based in Singapore, as well as companies from emerging markets and in areas such as FinTech, Innovation and Sustainability.

II. In addition to this, the Review Group, informed by market feedback, is studying how we can better position our equities market to attract high quality mid-cap growth companies that are likely to be less visible on larger exchanges in the US, China and Japan, but can benefit from being listed on SGX due to brand familiarity with investors in the region.

iii. By being clear with the profile of companies we want to attract, we can better design our incentives for these companies to consider Singapore as a listing venue, as well as for fund managers to launch products that invest in the local equities market.

b. Second, on the demand side, we need to not only jump start interest but also make it sustainable. This will require a range of measures to attract capital and sustain post-IPO liquidity and trading volumes, so that listee companies have confidence to list, market interest is raised, and trading liquidity is maintained.

i. While it is inevitable that a sizeable proportion of liquidity will be concentrated in a number of well-known counters, we must aim to broaden liquidity beyond these counters. This will be especially critical for smaller counters, for example those with market cap between $500 million and $3 billion.

ii. We must also crowd in commercial capital on a sustained basis, such as institutional wealth, individual investors and family offices. While there have been suggestions to channel sovereign monies into our equities market, it is not practical to rely on sovereign monies alone to sustain these funds and to support the equity market. Instead, any use of public funding has to catalyse commercial capital for trading interest in our equities market to be sustained over the long term.

iii. To this end, I note that the Review Group is studying how we can make optimum use of seed capital to draw in more commercial capital to ensure that Government developmental capital is deployed on a fiscally prudent basis.

iv. We must also strengthen the larger ecosystem to build a stronger pipeline of quality listings, catalyse investor interest and sustain liquidity. For example, we can explore enhancing research coverage into the types of pre-IPO growth companies we want to attract, be it small and mid-caps or specific sectors that we want to grow.

c. Lastly, we should review our regulatory framework to ensure that we do not impose unnecessary friction, but empower good companies to list, and enable consumers to make informed investment decisions.

i. There has been feedback from some market observers that the current regulatory regime can be cumbersome and restrictive in certain aspects for issuers, as well as overly protective of investors.

ii. On the other hand, other commentators have highlighted how investors have suffered losses in some past episodes of market misconduct. These voices emphasise the importance of strengthening investor confidence in our market.

iii. We should streamline and review our regulation to ensure a supportive trading and settlement environment. This should not only reduce friction and compliance burden, but uplift investor confidence such as through strengthening avenues for investor recourse.

9. I am glad to note that the Review Group is studying a combination of demand-side, supply-side and ecosystem-level measures as part of its review. Such a holistic approach will be critical to ensuring that we can put our equities market on a stronger footing for the years ahead. The Review Group is consulting widely, and will share more in due course.

Conclusion

10. Once again, let me congratulate SGX on this occasion of its silver jubilee.

11. With Asia's continuing growth story, the prospects for SGX and Singapore's capital markets remains promising. I am confident that through this multi-stakeholder effort to revitalise and grow our local equities market, we can look forward to a stronger SGX and celebrate an even more vibrant exchange on its golden jubilee 25 years later.

12. Happy 25th anniversary, SGX; and cheers to an exciting year ahead!

13. Thank you.