

Chee Hong Tat: Remarks - Equities Market Review Group Media Conference

Remarks by Mr Chee Hong Tat, Minister for Transport and Second Minister for Finance, and Deputy Chairman of the Monetary Authority of Singapore, at the Equities Market Review Group Media Conference, Singapore, 21 February 2025.

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Introduction

Good evening everyone. Thank you for joining us today. I want to first acknowledge the presence of our Review Group members and our Workstream members who have contributed to this set of measures that we are putting out, and also to thank the many industry stakeholders that we have consulted over the past several months.

Ladies and gentlemen, let me first set out what are our key challenges that the Review Group has identified and what are the objectives that we want to achieve.

- a. As we know, global capital and liquidity have concentrated in a handful of global stock exchanges, especially in the US. And if you look at the US listed stocks, they account for about two-thirds of global stock market capitalisation.
- b. Growth companies from around the world will want to seek out a US listing because of the valuations and liquidity that they can obtain there. And increasingly too, we see investors from around the world are also drawn to invest in US markets, because these have outperformed global indices for a number of years.
- c. The challenges facing our local equities market here in Singapore in attracting new listings and also in growing our liquidity is not unique to Singapore. There are many exchanges in the world who are also facing similar challenges.

The Review Group therefore wanted to start by being clear what are our objectives, what we are trying to achieve.

- a. First, we heard feedback from many market participants that there are companies that have a strong presence here in Singapore or the region, but if they go to the US, these companies may not be large enough to sustain the investor interest post-listing. So, for this group of companies with a strong presence in Singapore and the region – that is one group we could reach out to.
- b. We also know that companies with a higher brand recognition, which, if they list here, could also attract greater investor interest.
- c. So the Review Group therefore focused on strengthening the elements of our ecosystem, the attractiveness of our equities market here in Singapore to these companies from Singapore and from the region, so that they would see Singapore market as one that they can raise capital to fund their growth at a sustained pace, and also to be able to sustain the interest from their investor base for a longer period.
- d. Our approach was to look at the feedback and ideas that we have received and also to work on strengthening the foundations and elements of our equities market. So we are not looking for just one silver bullet because there isn't one.

e. We want our approach to be a comprehensive, holistic one – addressing all aspects of the market that can have a positive impact on the overall attractiveness and competitiveness to be able to draw in listings, and to be able to draw in investor interest.

In formulating this set of measures, the Review Group and the two work streams, chaired by Der Jiun and Chuan Teck, consulted a wide range of stakeholders across the capital markets ecosystem.

- a. This included our fund managers, our market practitioners, the business leaders from our listed companies, pre-IPO companies that are thinking about listing in the next few years, and also our various industry groupings and associations.
- b. There are also many members of the public, including those with capital market experience who also shared their feedback and their ideas with us, so I thank them.

The feedback from our stakeholders affirm that a well-functioning equities market is an important part of our enterprise ecosystem because it allows companies, including our startups, to be able to raise capital for their expansion.

- a. I think it especially important for the smaller companies who may not be able to tap global exchanges.
- b. The Singapore Exchange becomes an important source of capital for them, so this strong local equities market provides reliable exit option for private equity and venture capital investors to be able to realise their investments and to recycle the capital into new opportunities.
- c. So if we do it well, this also then becomes a virtuous cycle that can help to drive growth and innovation through a well-functioning market.

Recognising this, we want to look at a few areas. The measures that we have reviewed, and those that we are still studying – because this is the first tranche, there are still some more that we are studying – we aim to have these measures lay the foundations for a sustainable and well-functioning equities market.

- a. If we take the proposed measures together, they will hopefully make an impact.
- b. We will put in place conditions for the market to function better, develop the pipeline of listings, strengthen research and investment capabilities in Singapore equities, reduce regulatory friction and build investor confidence.
- c. Once the fundamental conditions are strengthened, I believe we will be in a stronger position to attract listings and also to raise investor interest and investor liquidity.

Review Group's first set of measures

So let me now share with everyone the set of measures.

They span three mutually reinforcing pillars:

- a. First, measures to increase investor interest and trading liquidity.
- b. Second, measures to attract more quality listings.
- c. Third, to adopt a pro-enterprise regulatory stance and measures to able to strengthen investor confidence.

Let me start with increasing investor interest.

Increase Investor Interest (Demand)

This is what we view as the demand side. The demand side measures seek to deepen trading liquidity, and strengthen capabilities in the local fund management and equity research ecosystem.

First, **MAS will launch a S\$5 billion Equity Market Development Programme**. We will invest through fund managers in mandates with a strong focus on Singapore equities.

Second, **PM has announced at Budget 2025, a tax exemption on the fund manager's qualifying income from funds with at least 30% allocation to Singapore equities**.

Third, EDB will **adjust the Global Investor Programme (GIP)** to support more capital inflows into Singapore's equities market. New GIP applicants establishing a Single Family Office (SFO) will need to invest as least S\$50 million in equities listed in Singapore or in approved exchanges.

Fourth, the **Research Development Grant under MAS' Grant for Equity Market Singapore (GEMS) Scheme¹** will be expanded to include coverage on pre-IPO companies, sharpen focus on mid and small cap enterprises, and broaden research dissemination including via new media channels. MAS and SGX will release more details around the middle of the year.

Improve Attractiveness Quality Listings (Supply)

We also want to encourage new listings that are attractive to investors – this is now looking at the supply side. PM has announced new tax incentives in his Budget speech. This builds on existing efforts, such as the Anchor Fund @ 65 and the GEMS Listing Grant, to attract companies and fund managers with operations in Singapore to tap our equities market to raise growth capital.

- a. First, **companies that complete a primary listing or secondary listing with share issuance can enjoy a 20% or 10% listing corporate income tax rebate respectively**. So we give higher tax rebate if it is a primary listing, and a lower 10% rebate for secondary listing. These are of course subject to applicable rebate caps based on market capitalisation.
- b. Second, **the Government will provide an enhanced 5% concessionary tax rate on qualifying income for new fund manager listings in Singapore**.

Through MTI and EnterpriseSG, we will continue to support the development of Singapore enterprises, which can provide a potential listing pipeline. As PM announced, we have committed about S\$1.8 billion in investment funds to support enterprise growth in the last 5 years. We are launching a \$1 billion Private Credit Growth Fund and we hope to do more over time if needed.

Regulatory measures

Let me now move to the regulatory measures. On regulations, we heard three types of feedback.

- a. First, the involvement of both MAS and SGX RegCo in the listing review process introduces a layer of uncertainty and also lengthens time-to-market for prospective issuers.
- b. Over time, our regulatory regime has drifted away from disclosures-based to become more merit-based in some areas, while certain listing processes and requirements are also too prescriptive and onerous, which are not commensurate with the risk that they seek to address.
- c. At the same time, some of the past cases of corporate failures and market misconduct have dented investor confidence, and layers of rules were added to try and protect retail investors. Adding more rules increase compliance costs, but may not lead to better protection and could even give a false sense of security. So it is not how many rules you have, but how you design those rules and how you enforce, and how you then ensure that there is a good outcome.

We will want to adopt a regulatory approach that is both pro-enterprise and pro-investor confidence, because both are important.

- a. We will move decisively towards a more disclosure-based regime that is aligned with international standards, with accompanying measures to uphold high standards of corporate governance and strengthen investor confidence.
 - i. A single regulator, SGX Regco will be responsible for all aspects to an IPO application.
 - ii. SGX Regco will rely less on merit-based judgement when admitting IPOs and rely more on disclosures.
 - iii. Prospectus requirements will be streamlined significantly.
 - iv. Overall, firms seeking an IPO can expect an approval within 6-8 weeks. The streamlined listing process is an improvement compared to now, and compares favourably with leading financial hubs.
 - v. Post-IPO, Regco will adopt a more targeted approach to disclosure queries, trading queries, trade with caution alerts and trading suspensions. This aims to reduce the potential for unintended impact on trading and liquidity, while maintaining the overall framework of safeguards.

MAS and SGX Regco will consult on the regulatory changes before finalising and implementing them.

Review Group's second set of measures

So these are the three pillars of the first set of measures. We do have some ongoing review for the second set of measures which we are continuing to work on, but we want to share with everyone the first set of measures first, because after several months of review and consultation with the industry, we are ready to make this first move.

But this is still an ongoing review. In the next phase, we want to focus on the following key areas:

- a. First, introducing programmes to uplift listed companies' shareholder engagement capabilities and to sharpen their focus on shareholder value;
- b. Second, to attract retail liquidity through market structure changes such as reducing board lot size;
- c. Third, to strengthen investor protection through enhancing investor recourse avenues;
- d. Fourth, improving post-trade custody efficiency; and
- e. Finally, to develop cross-border partnerships.

The review is ongoing for this next set of measures. We will consult with industry stakeholders, and we aim to complete this second tranche of measures by end of this year.

Conclusion

Ladies, gentlemen, let me wrap up my remarks. Doing this review, looking at how we can enhance our competitiveness for the Singapore local equities market is a challenging task with no easy solutions, but we know that if we don't try, our chances of success is zero. So we have to try. But it doesn't mean that all the measures that we put in place will definitely succeed, because a lot also depends on how other exchanges respond, how companies respond, and importantly, how we as an ecosystem – all the partners within this ecosystem – work together to implement these measures effectively to achieve good outcomes.

Through our approach to strengthen foundations and to enhance the elements of a well-functioning equities market, we want to give ourselves the best chance to attract listings and to be able to grow investor interest.

It requires a multi-pronged approach, a multi-year approach, where each set of measures must work together, and no single solution will be sufficient on its own. All stakeholders in our ecosystem must continue to work closely to collaborate to improve the market.

We also look forward to working with industry partners on this endeavour to co-create solutions and to be able to lay the foundations for a sustainable and well-functioning equities market.

Thank you.

¹ The GEMS scheme was introduced in 2019 to support listings and expand the equity research ecosystem in Singapore's public equity market. The scheme comprises a

listing grant that defrays listing related expenses for companies that undertake a public listing in Singapore, and a research development grant that provides funding to support greater research coverage of Singapore-listed companies.