

## Heng Swee Keat: The first Shariah-compliant ETF in Singapore

Congratulatory remarks by Mr Heng Swee Keat, Managing Director of the Monetary Authority of Singapore, at the Launch of Daiwa FTSE Shariah Japan 100 ETF at SGX Centre, Singapore, 27 May 2008.

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President and CEO, Daiwa Asset Management, Mr Michihito Higuchi  
Vice-President and Head of Listings, Singapore Exchange, Mr Lawrence Wong  
Distinguished guests  
Ladies and gentlemen, good morning.

I am pleased to join you at this ceremony to mark the debut of the Daiwa FTSE Shariah Japan 100 Exchange Traded Fund (ETF), the first Shariah-compliant exchange traded fund to be launched in Singapore.

The Daiwa FTSE Shariah Japan 100 ETF will provide retail and institutional investors the opportunity to access the Japanese capital markets via a Shariah-compliant product traded on the Singapore Exchange (SGX).

ETFs are one of the fastest growing asset classes in the investment funds industry. They aim to track the performance of indices and provide access to a wide variety of markets. As at the end of 2007, global assets managed via ETFs are estimated to have increased by 41% over the previous year to reach about US\$800 billion while the total number of primary listings has increased by 64% to 1,171.

There are currently 18 ETFs listed on SGX covering regional markets such as the Asia-Pacific and ASEAN, and individual markets such as China, India, South Korea, Taiwan and Japan, as well as alternative investments such as gold and commodities. These provide investors with the opportunity to access key Asian markets, to diversify their investment portfolios and to execute their investment strategies.

Daiwa's FTSE Shariah Japan 100 ETF marks a key development for our Islamic finance industry. To facilitate the development of this growing industry, over the past few years, we have reviewed and refined our regulatory framework and tax structures.

In February this year, the Finance Minister announced in the Budget that a 5% concessionary tax rate would be granted for income derived from Shariah-compliant fund management, lending, and insurance & reinsurance. The tax exemption on income from Sukuks that are Qualifying Debt Securities will also be extended to all investors. A few weeks ago, MAS announced that it will be developing a facility for the issuance of Singapore Dollar, sovereign-rated Sukuks to meet the needs of financial institutions conducting Shariah-compliant activities in Singapore. These Sukuks will be issued on a reverse enquiry basis, and will initially be priced off the Singapore Government securities market.

These initiatives are catalysed by feedback from the industry, which has taken an active interest in the development of Islamic Finance in Singapore. I would like to thank the industry for your feedback. We have seen promising growth. A dozen Middle Eastern banks are operating in Singapore, adding Islamic financing activities to their conventional financing. Singapore's first Islamic Bank, Islamic Bank of Asia has just opened its first overseas office in Bahrain. International banks are structuring Islamic financial products in Singapore.

Daiwa's FTSE Shariah Japan 100 ETF is therefore well placed to meet the growing demand for Shariah compliant financial solutions. This listing adds to the range of ETF and Shariah compliant products in Singapore, and provides a direct channel for investing in Japan.

Trade and investment between Japan and the Middle East are increasing, and will continue to rise in the coming years. The flow of finance and investment capital will rise to

complement these. Japan which has the second largest economy in the world has much to offer to promote the flow of capital, ideas and technology. I am pleased that investors and financial institutions like Daiwa have found Singapore a useful node to facilitate this flow between Japan and the Middle East. We will, on our part, continue to facilitate this deepening of business and financial relations.

On that note, let me extend my heartiest congratulations to Daiwa Asset Management and the Singapore Exchange for embarking on this venture. We look forward to its success and the creation of more innovative investment products from Daiwa Asset Management and other financial institutions to add to the vibrancy of our market.

Thank you.