# Jacqueline Loh: Singapore - the gateway to Asia's bond market

Opening address by Ms Jacqueline Loh, Deputy Managing Director of the Monetary Authority of Singapore, at the Global Borrowers & Investors Forum - Asia, Singapore, 21 September 2017.

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Toby Fildes, Global Managing Editor, GlobalCapital

Distinguished guests, ladies and gentlemen, good morning.

1. Thank you very much for inviting me to the Global Borrowers & Investors Forum – Asia.

2. **I am delighted that Euromoney has chosen Singapore to anchor the Asian edition of your flagship Global Borrowers & Bond Investors Forum.** The Forum started over 20 years ago in London, and consistently attracts over 700 issuers, investors and financial intermediaries from around the world to exchange views on key issues facing global bond markets, to network and importantly, to close deals.

3. **Asia is the natural next franchise for the Forum. In 2016, Asia's debt issuance at USD 1.3 trillion made up about one-fifth of global debt issuance, but at 20% y-o-y, grew twice as quickly.** A focused Asian edition will help to make the Forum more accessible to issuers, investors and intermediaries based in Asia. Today's programme is very topical, covering the deepening of Asia's bond markets, financing Asia's infrastructure and the rise of Asia's green bond market, and features distinguished speakers like Governor Agus of Bank Indonesia and Sir Robert Stheeman, Chief Executive of the UK Debt Management Office. I will touch on these themes briefly.

## Asian bonds are a mainstream asset class

4 . **Asian bond markets are growing healthily and Asian bonds are an essential component of any balanced and diversified portfolio.** Over the last five years, Asian bond issuances grew at a compound annual growth rate of more than 10%. Asian bonds now make up over 30% of the J.P. Morgan Emerging Markets Government Bond Index. Since last year, 2 Asian countries received rating upgrades, notably Indonesia to investment grade[1].

5 . **Asia is expected to remain the fastest-growing region in the world.** The IMF places Emerging Asia at the top of the global growth league table, with average growth rates of 6.3% p.a. from now to 2022[2], outstripping expected outturns in the developed economies[3] as well as all other developing regions. China and India, the two largest Asian markets, are expected to grow by 6% p.a. and 7–8% p.a. respectively, while activity in the ASEAN-5 economies is expected to expand at around 5% p.a.[4].

6. **The rosy outlook translates to two significant implications for capital markets:**

a. On the demand side, relatively favourable demographics, the emergence of a rising middle class and rapid urbanisation will stimulate more savings and investments;

b. On the supply side, there is much scope in Asia to improve infrastructure, technology and innovation, the success of which will go a long way toward raising productivity and incomes even further. To finance these important structural needs, Asia's ability to raise long-term capital for sustainable growth would make cross-border capital market activities even more important.

## Singapore is the gateway to Asia's bond market

7 . **Singapore is well-positioned to serve Asia's growing financing needs.** We are a developed pan-Asian asset management centre with more than 600 asset managers and over SGD 2.7 trillion of assets under management, of which 20% is invested in fixed income strategies such as Asian or Emerging market debt. These include global fund managers such as Schroders, PIMCO, BlackRock as well as our local fund managers such as Fullerton and UOB Asset Management. Let me share a few highlights of our bond market:

a. Issuances volumes grew at a compound annual growth rate of around 9% over the last five years to reach SGD 186 billion (USD 129 billion) in 2016.

b. 60% of corporate bonds issued in Singapore are in foreign currencies including G-3 and Asian currencies, which encompass the RMB.

c. 70% of issuers are repeat issuers, returning to tap Singapore's bond market, after the favourable experience with their maiden issue.

Let me zoom in on three pillars of strength:

**I. International capital for Asian companies**

8. **Singapore offers an excellent ecosystem for Asian companies to raise international capital.** Asian corporates, including Chinese and Indian companies, looking to regionalise and globalise are increasingly looking to international bond markets to raise capital and to diversify funding sources.

a. Over 50 international and regional banks locate their debt capital markets teams here in Singapore. They are supported by international lawyers, accountants and rating agencies that provide essential ancillary services in issuing a bond.

b. Asian companies are coming to Singapore to issue debt. Bright Food Singapore Holdings Pte. Ltd., a Chinese bond issuer, issued EUR 400 million in 2016. PT Saka Energi Indonesia, also a new issuer here, issued a USD 625 million bond in 2017. Under the Chongqing Connectivity Initiative, first-time bond issuers from Chongqing issued a total of USD 900 million in Singapore.

c. Many multinational corporations that have successfully issued bonds in Singapore, continue to tap on Singapore for repeat issuances. This is a clear testament of the attractiveness of our debt market ecosystem. For example, the treasury unit of Japan's Hitachi International Limited, has been a frequent issuer in our bond market for over a decade. BOC Aviation has issued numerous bonds in currencies including USD, JPY, AUD, CNH and SGD since 2010.

d. Singapore's bond market has also grown in sophistication. For instance in the area of covered bonds, Singapore has transited from a debutant to an advanced covered bond market in the region. Our 3 local banks have established their global covered bond programmes, with well-received issuances denominated in USD, EUR and AUD.

9 . **We are rolling out the red carpet for new Asian issuers.** MAS introduced the Asian Bond Grant Scheme this year to support first-time Asia issuers in Singapore's bond market, up to an amount of S$400,000. We have received good interest thus far.

**II. Financing Asian infrastructure development**

10. **The second area is in infrastructure finance. Asia's infrastructure financing needs are vast, far beyond what government and bank financing will be able to provide.** The Asian Development Bank estimates that developing Asian countries will need to invest USD 1.7 trillion annually in infrastructure till 2030 to fulfil its medium- to long-term growth potential. Private

sector debt financing can play a significant role here.

11. **Singapore's bond market is drawing in private capital for infrastructure projects.** About 60% of ASEAN infrastructure projects have benefitted from project finance or advisory services of Singapore-based banks. Let me highlight three examples:

a. Belt and Road Initiative bonds or BRI bonds. Chinese banks in Singapore have issued bonds to finance BRI projects. China Construction Bank Singapore branch issued RMB 1 billion (USD 145 million) of BRI bonds last year. Bank of China Singapore branch recently issued RMB 4 billion (USD 600 million) of BRI bonds in May this year.

b. Asian project bonds. This year, we witnessed the successful return of project bonds into Asia's bond market after more than a decade of absence. Indonesia's second largest independent power producer, PT Paiton Energy, received more than USD 9 billion in orders for its USD 2 billion issue; a demonstration of increasing sophistication and growing demand of investors. Debt capital market teams in Singapore including DBS and HSBC lead arranged the deal.

c. Offshore rupee denominated bonds. In May, the National Highways Authority of India issued the largest offshore rupee denominated bond to date and listed the bond on the Singapore Exchange. The INR 30 billion (USD 465 million) bond will be used to finance road network development in India. There is a well-trodden path for issuing offshore rupee denominated bonds out of Singapore, including NTPC Ltd and Indiabulls etc., and follow the journey that we are on with the offshore RMB bond market.

## III. Channelling capital towards catalysing adoption of sustainability practices

12. **Alongside the greater push towards the mainstreaming of green financing, we are witnessing an unprecedented surge in green bond issuances, globally and in Asia.** Over the last five years, global green bond issuances grew over 150% to reach USD 84[5] billion in 2016, with Asia contributing around 40% of that. The market continues to register strong growth in 1H2017, with over USD 60[6] billion in issuance.

13. **Singapore is building a sustainability-focused financial sector.** We have placed great emphasis on capacity building to ensure that our financial institutions understand the technicalities of sustainability standards. As an example, the Investment Management Association of Singapore (IMAS) in April 2017 issued a public statement endorsing its commitment to sustainability considerations and expressing support for global and local standards such as the United Nations Principles for Responsible Investment (PRI) and the Singapore Stewardship Principles for Responsible Investors (SSP) in April 2017. With sustainability-focused mandates gaining traction in parts of Asia, Singapore is supporting our asset managers to develop relevant solutions and skills in their investment processes to support this growing and strategic segment, such as the IMAS-WWF responsible fund managers masterclass, with the first run this November.

14. **In June, MAS launched the Green Bond Grant Scheme to nurture the growth of the green bond market and enlarge the supply of green assets.** The grant defrays the costs of obtaining an external review for green bonds of up to S$100,000 per issuance. With asset owners mobilising capital into sustainability-focused products, green bonds is emerging as an asset class here in Asia.

a. In April, Singapore witnessed its first green bond issuance by a Singapore company, City Developments Limited (CDL). CDL successfully financed its investments in energy saving and efficient infrastructures through the green bond. In July, DBS also led the way with a USD 500 million green bond issue, the first such issuance by a financial institution in Singapore.

b. International green bond issuers are also considering Singapore. Indian Renewable Energy Development Agency (IREDA), the non-banking financial arm of India's Ministry of new and renewable energy, announced plans to raise a USD 300 million Green Masala Bond at the Singapore Stock Exchange.

## Conclusion

15. In conclusion, Asia's economic growth is the bright spot in the global economy, and this will create immense opportunities for bonds in Asia. Singapore's strong ecosystem of buy-side and sell-side institutions, alongside professional services providers, makes us an excellent gateway to channel international capital to Asian borrowers. Today's conference gives you a first-hand experience of being part of this ecosystem.

16. MAS is strengthening Singapore's value proposition as Asia's fixed income hub for bond issuers, and we would be glad for the opportunity to explore how we can serve your needs.

17. On this note, I wish you an enjoyable discussion ahead and many fruitful interactions. Thank you.

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1 Standard & Poor's

2 IMF WEO, April 2017, estimates for Emerging and Developing Asia (excluding Japan).

3 Advanced Economies are expected to grow at an average of 1.8% over 2017–2022.

4 The ASEAN-5 economies in the IMF's forecast refers to Indonesian, Malaysia, Thailand, Vietnam and the Philippines.

5 HSBC Research, 2016.

6 SEB Research, 2017.