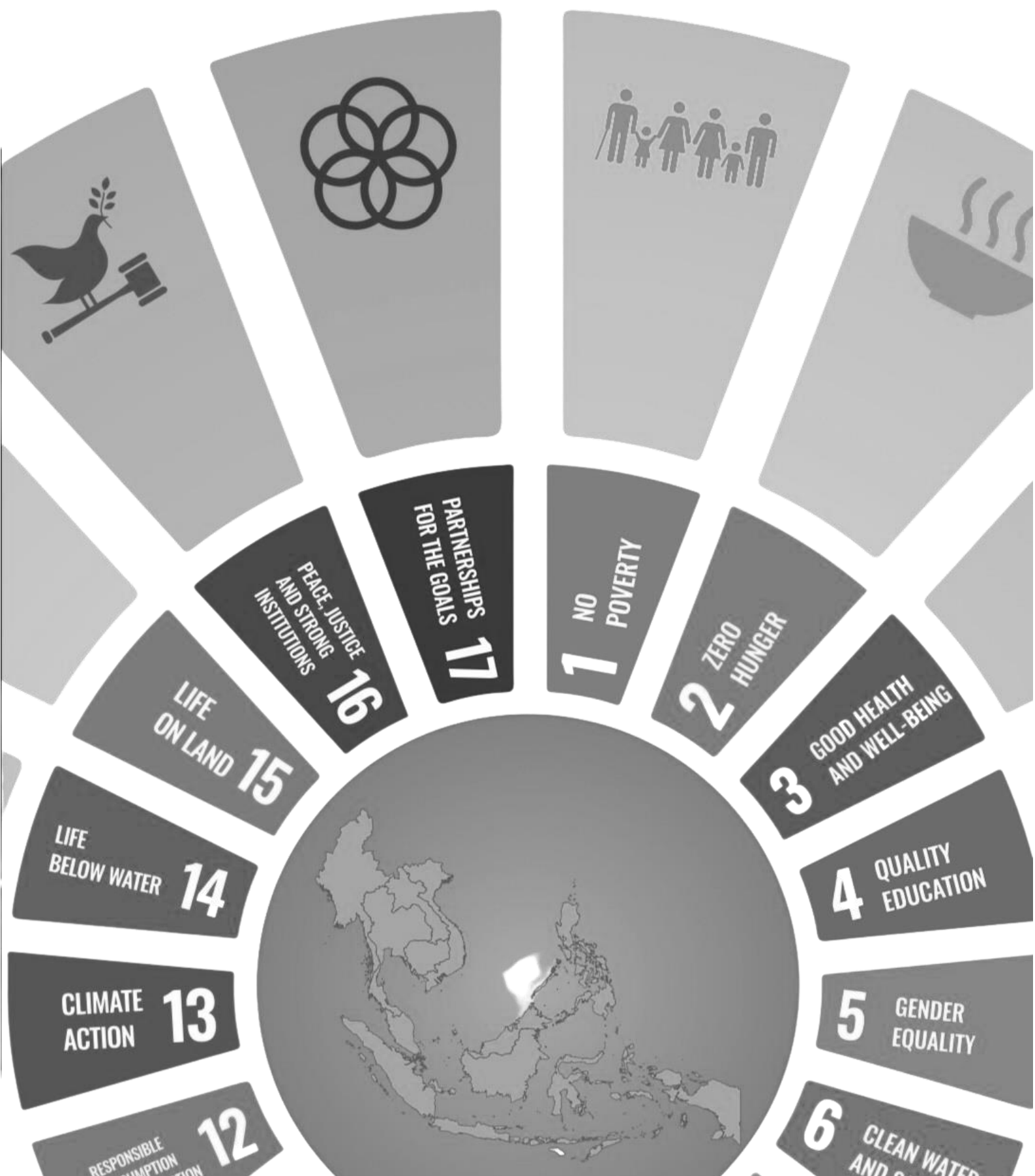


ASEAN SDG Bond Toolkit

Supplement: Legal and Regulatory Aspects for Singapore



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Introduction

Singapore is a friendly jurisdiction for bond issuers. While a prospectus and products highlights sheet is usually required for issuances of bonds to investors located in Singapore, bonds may be offered via certain "safe harbour" exemptions or private offerings. There are currently no specific requirements for green, social and sustainability bonds (GSS Bonds) issuances and qualifying GSS Bond issuances can benefit from incentives such as the Monetary Authority of Singapore ("MAS") Sustainable Bond Grant Scheme. The market practice is to rely on international standards and/or a second party opinion to determine if a particular bond would qualify as a GSS Bond. Support for GSS Bonds in Singapore is expected to continue growing.

Executive Summary

Singapore issuers

Both private and public sector Singapore issuers are allowed to issue GSS and SDG Bonds. While there are no mandatory requirements for issuances of GSS/SDG Bonds, private entity issuers generally make reference to international standards, and issuers listed on the Singapore Exchange are also subject to mandatory climate disclosures. Public sector issuers would follow the Singapore Green Bond Framework.

Incentives are available to private entity issuers under the MAS Sustainable Bond Grant Scheme, where qualifying issuers may be eligible for a grant of up to S\$100,000 or 100% of eligible expenses per qualifying issuance.

Singapore investors

Singapore investors are allowed to invest in GSS and SDG bonds in the same way as non-GSS/SDG bonds.

Offers of GSS/SDG Bonds do not have specific requirements that they must comply with. While a prospectus is required for a public placement, prospectus exemptions are available for private placements.

A. Information for Issuers in Singapore

1. Are there any regulations around issuances of GSS and SDG Bonds?

No. General regulations applicable to issuances of bonds will apply.

2. Can bonds be issued by private and public entities in Singapore?

	Private Placement <i>Offers not made to the general public</i>	Public Placement <i>Offers made to the public</i>
Private Entity Issuers¹ <i>Private companies and other entities</i>	Yes. For investors within the jurisdiction, a prospectus exemption must be invoked if no prospectus is issued.	Yes, subject to additional requirements for listing (if applicable) and offers to investors in jurisdiction.
Public Sector Issuers² <i>Government bodies and agencies</i>	Yes. For investors within the jurisdiction, a prospectus exemption must be invoked if no prospectus is issued.	Yes, subject to additional requirements for listing (if applicable) and offers to investors in jurisdiction.

3. What key requirements must issuers in Singapore fulfil to issue GSS and SDG Bonds?

	Private Placement <i>Offers not made to the general public</i>	Public Placement <i>Offers made to the public</i>
Corporate form	No restrictions. Private entity issuers are typically Singapore incorporated companies or branches.	
Currency	There are no restrictions on the issuance of bonds in local currency or foreign currencies.	
GSS specific requirements	<p>There are no mandatory requirements for the issuance of GSS and SDG Bonds per se. However, the Singapore Exchange Securities Trading Limited ("SGX") requires mandatory climate reporting on a comply or explain basis for all SGX-listed companies in line with the Task Force on Climate-related Financial Disclosures (TCFD). Issuers in certain sectors will also be subject to mandatory reporting from FY 2023 onwards.</p> <p>Based on market practice, green bond issuers make reference to the following standards:</p> <ul style="list-style-type: none"> (a) International Capital Market Association (ICMA) Green Bond Principles 2021 (b) ICMA Social Bond Principles 2021 (c) ICMA Sustainability Bond Guidelines 2021 (d) ASEAN Capital Markets Forum (ACMF) ASEAN Green Bond Standards 2018 (e) ACMF ASEAN Social Bond Standards 2018 (f) ACMF ASEAN Sustainability Bond Standards 2018 <p>We have observed a general market practice of continuous disclosure of information on use of proceeds and processes for projects in relation to GSS Bonds. An external auditor is typically</p>	<p>The Singapore Green Bond Framework (the Framework) establishes guidelines for green bond issuances by the public sector.</p> <p>The Framework applies the following principles:</p> <ul style="list-style-type: none"> (a) alignment with internationally recognised market principles and standards such as the ICMA Green Bond Principles 2021 and ACMF ASEAN Green Bond Standards 2018; (b) stringent governance and oversight of project selection and allocation of proceeds, including annual post-issuance allocation reporting and impact reporting; and (c) eligibility for green categories that are developed with reference to international standards such as the ICMA Green Bond Principles and Climate Bond Initiative (CBI) Taxonomy and Sector Criteria. <p>Proceeds from green bonds will be used to finance expenditures in support of the Singapore Green Plan 2030.</p>

¹ "Private entity issuer" means a private company limited by shares in Singapore which is a separate legal entity from its shareholders.

² "Public sector issuer" means the Singapore government or a Statutory Board in Singapore.

	also engaged to provide external assurance on the standards of reporting. This is not a strict regulatory requirement.	
Listing requirements	<p>Key requirements for listing on the SGX: Issuers can list their debt securities (including bonds) through: (a) the placement or offer for sale or subscription of a new or existing issue of debt securities; or (b) introduction of an existing issue of debt securities. This requires an introductory document to be issued in connection with the listing.³</p> <p>Listing requirements for local debt securities: At least one of the following (as applicable) must apply:</p> <ul style="list-style-type: none"> (a) Local bond issuances by issuers whose equity securities are listed on SGX must have a principal amount of at least S\$750,000. Local bond issues by issuers whose equity securities are not listed on SGX must additionally satisfy further criteria detailed in the SGX Mainboard Listing Rules ("SGX Listing Manual"). (b) Issuers who list their debt securities on the SGX must comply with the SGX Listing Manual rules relating to debt securities. The SGX can apply to the courts to enforce those rules if an issuer fails to do so. (c) Listing of GSS Bonds: There are no additional SGX specific listing requirements for issuers listing GSS Bonds. <p>Prospectus, Offering Memorandum or other Introductory Document: Unless any exemptions apply, bond issuances must be accompanied by a prospectus, offering memorandum or an introductory document that has to comply with mandatory disclosure requirements under the Securities and Futures Act 2001 of Singapore ("SFA") and the SGX Rulebooks.⁴ The offering memorandum or introductory document must include information in sufficient detail to enable the targeted investors to have a full and proper understanding of the applicant's business, financial conditions, prospects, and risks.⁵</p>	
Specific requirements for public sector issuers	<p>The Singapore Government or a Singapore government agency will automatically be eligible to list bonds.⁶ Issuances that are guaranteed by these public sector entities are also automatically eligible for listing.⁷</p> <p>Otherwise, the requirements for a private entity issuer will generally apply.</p>	
Specific requirements for foreign issuers	<p>An offer of bonds is subject to the offering requirements in Division 1 of Part 13 of the SFA, including a requirement for a prospectus.⁸ However, offers of international debentures (i.e. an offer by a body incorporated outside of Singapore) are exempt from such requirements where the conditions under section 278 of the SFA are met.⁹ For a listing of an issue of foreign debt securities (including bonds), at least one of the requirements under rule 304 of the SGX Listing Manual must be met.¹⁰</p> <p>Generally speaking, all foreign bonds offered will be quoted in Singapore dollars, unless the SGX agrees to a quotation in a foreign currency, or unless the MAS policy on the internalisation of the Singapore dollar requires otherwise.¹¹</p>	

4. Are there any incentives for issuers of GSS Bonds or SDG Bonds?

³ Rule 302 of the SGX Listing Manual.

⁴ Rules 312 and 313 of the SGX Listing Manual.

⁵ Rule 603 of the SGX Listing Manual.

⁶ Rule 303(2)(c) of the SGX Listing Manual.

⁷ Rule 303(3)(c) of the SGX Listing Manual.

⁸ Section 240 of the SFA, and more generally, Division 1 of Part 13 of the SFA.

⁹ Section 278 of the SFA.

¹⁰ Rule 304 of the SGX Listing Manual.

¹¹ Rule 218 of the SGX Listing Manual.

Private entity issuers of GSS Bonds can qualify for the MAS Sustainable Bond Grant Scheme. The scheme is valid until 31 May 2023. A qualifying issuer (both first time and repeat GSS Bond issuers can be qualifying issuers) is eligible for a grant of up to S\$100,000 or 100% of eligible expenses per qualifying issuance.

Eligible expenses are costs incurred in respect of the independent external review or rating done based on internationally recognised green, social and sustainability bond principles or frameworks. This can be costs incurred either pre-issuance or post-issuance (for the first three (3) years or up till tenure of the bond, whichever is earlier).

Qualifying issuance: To qualify for incentives under the scheme as a GSS Bond, the bond:

- (a) can be issued in any currency with a pre-issuance external review or rating done to demonstrate alignment with any internationally-recognised green, social, sustainability principles or standards;
- (b) must be issued and listed in Singapore;
- (c) must have a minimum size of S\$200 million or a bond programme size of S\$200 million with an initial issuance of at least S\$20 million;
- (d) must have a minimum tenure of one (1) year;
- (e) must have pre-issuance external review or rating and post-issuance external review or reporting work substantially done by external reviewers in Singapore; and
- (f) must have a part of the sustainability advisory and assessment work performed by financial institutions in Singapore.

5. Other comments





None.

B. Information for Investors in Singapore

1. Are there any regulations around offers of GSS and SDG Bonds to investors in Singapore?

There are no mandatory requirements for the offer of GSS or SDG Bonds to investors in Singapore. Please see the key requirements for issuances (Question 3 of Part A) and key prospectus exemptions (Question 4 of Part B).

2. Can investors in Singapore subscribe for SDG and GSS Bonds?

	Private Placement <i>Offers not made to the general public</i>	Public Placement <i>Offers made to the public</i>
Private Entity Issuers <i>Private companies and other entities</i>	 Yes, subject to the prospectus exemptions described at Question 4 of Part B below.	 Yes, subject to additional requirements for public offers (such as a prospectus).
Public Entity Issuers <i>Government bodies and agencies</i>	 Yes, subject to the prospectus exemptions described at Question 4 of Part B below.	 Yes, subject to additional requirements for public offers (such as a prospectus).

3. Are there any incentives for investors investing in GSS Bonds or SDG Bonds?

No, there are no specific incentives for investors investing in GSS Bonds or SDG Bonds.

4. When can an offer be made to investors in Singapore without a prospectus?

Some exemptions from prospectus requirements for certain types of bond issuances under the SFA are set out below:

- (a) **Offers made on a "private placement" basis:** An offer made to not more than 50 persons within any period of 12 months. The applicable limit is on the number of offerees in Singapore (excluding those who qualify under the other exemptions mentioned herein), and not on the number of persons accepting the offer.
- (b) **Offers made to institutional investors:** An offer made to institutional investors (as defined in the SFA). There is no limit on the number of institutional investors that the offer can be made to.
- (c) **Offers made to accredited investors:** An offer to accredited investors and other "relevant persons" (as defined in the SFA). There is no limit on the number of accredited investors or relevant persons that the offer can be made to.
- (d) **Offers made in a denomination of at least S\$200,000:** An offer to a person who acquires the GSS Bonds as principal, whether or not they have been previously issued, if the aggregate consideration is not less than S\$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of other assets.
- (e) **Offers of debentures by the Singapore government or international financial institutions:** An offer of debentures or units of debentures that are made by or guaranteed by the Singapore Government or an international financial institution in which Singapore holds membership of any class or description, whether or not it holds any share in the share capital of that institution.

In the exemptions set out in sub-paragraphs (a) to (d), there are also certain conditions including restrictions on resale, advertising, selling and promotion expenses and the accredited investors' opt-in regime, which we have not discussed in detail here.

C. Notable developments

The key recent and upcoming developments are set out below.

- (a) A Green Bonds Programme Office (under Singapore's Ministry of Finance) was set up in late 2021 to establish a green bond framework for sovereign green bond issuance and work with Statutory Boards¹² on their green bond programmes. This was announced in the 2022 Singapore Budget. Under the

¹² "Statutory Board" means a statutory board established by or under written law to perform or discharge a public function in Singapore.

framework, up to S\$35 billion of green bonds will be issued to fund public sector green infrastructure projects.¹³

- (b) On 9 June 2022, the Singapore Government published the Framework,¹⁴ a governance framework for sovereign green bond issuances under the Significant Infrastructure Government Loan Act 2021 (**SINGA**). The Framework sets out the Singapore Government's: (i) intended use of green bond proceeds; (ii) governance structure for assessing and selecting eligible projects; (iii) operational approach to managing green bond proceeds, and (iv) commitment to post-issuance allocation and impact reporting and, where possible, social co-benefits of the Eligible Green Expenditures. Proceeds from green bonds issued under the Framework will be used to finance expenditures in support of the Singapore Green Plan 2030.¹⁵
- (c) In August 2022, MAS announced the issuance of Singapore's inaugural sovereign green bond – known as Green Singapore Government Securities (Infrastructure) under the Framework.¹⁶ S\$2.35 billion of the 50-year green bond, priced with a yield of 3.04%, was placed with institutional and accredited investors.¹⁷ Proceeds from the inaugural Green Singapore Government Securities (Infrastructure) are planned to be used to finance expenditures in support of the Singapore Green Plan 2030, including the expansion of Singapore's electric rail network (Jurong Region Line and the Cross Island Line).¹⁸
- (d) Singapore has partnered with the International Finance Corporation, a member of the World Bank Group, to work together to accelerate the growth of green bond markets in Asia.¹⁹
- (e) The SGX has also partnered with Nasdaq in the latter's Sustainable Bond Network (**NSBN**). Under this partnership, issuers of GSS Bonds on SGX can opt to voluntarily publish key information data on their GSS Bonds on the NSBN.²⁰
- (f) The MAS has announced plans to pilot four digital platforms along with industry players to address the financial sector's needs for good data on sustainability. This is piloted under "Project Greenprint", which is intended to address data gaps in the industry.²¹

¹³ Singapore Budget 2022 Speech,

<https://www.mof.gov.sg/docs/librariesprovider3/budget2022/download/pdf/fy2022_budget_statement.pdf>.

¹⁴ More information on the Framework is available on the Ministry of Finance's website, <<https://www.mof.gov.sg/policies/fiscal/greenbonds>>.

¹⁵ Singapore Green Bond Framework Introduced for Upcoming Inaugural Singapore Sovereign Green Bond Issuance, <<https://www.mas.gov.sg/news/media-releases/2022/singapore-green-bond-framework-introduced-for-upcoming-inaugural-singapore-sovereign-green-bond-issuance>>.

¹⁶ MAS to Launch Inaugural Singapore Sovereign Green Bond Issuance, <<https://www.mas.gov.sg/news/media-releases/2022/mas-to-launch-inaugural-singapore-sovereign-green-bond-issuance>>.

¹⁷ Singapore Prices S\$2.4 billion 50-year Inaugural Sovereign Green Bond; Public Offer now Open for Individual Investors, <<https://www.mas.gov.sg/news/media-releases/2022/singapore-prices-2-4-billion-50-year-inaugural-sovereign-green-bond-public-offer-now-open-for-individual-investors>>.

¹⁸ See footnote 16.

¹⁹ IFC and MAS Partner to Accelerate Growth of Green Bond Asset Class in Asia, <<https://www.mas.gov.sg/news/media-releases/2018/ifc-and-mas-partner-to-accelerate-growth-of-green-bond-asset-class-in-asia>>.

²⁰ Nasdaq Sustainable Bond Network, <<https://www.sgx.com/finance/nasdaq-sustainable-bond-network>>.

²¹ MAS and Industry to Pilot Digital Platforms for Better Data to Support Green Finance, <<https://www.mas.gov.sg/news/media-releases/2021/mas-and-industry-to-pilot-digital-platforms-for-better-data-to-support-green-finance>>.



About Ashurst

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