

THE MONETARY AUTHORITY OF SINGAPORE LAUNCHES GRANT TO ENHANCE CAPITAL RAISING AND ENTERPRISE FINANCING IN SINGAPORE

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Author: Tan Min-Li.

On 14 January 2019, the Monetary Authority of Singapore (“**MAS**”) announced that it would be launching a new three (3)-year initiative, the S\$75 million Grant for Equity Market Singapore (“**GEMS**”), in February 2019. GEMS aims to improve Singapore’s position as the choice venue in Asia for enterprises seeking growth financing.

The MAS has indicated that GEMS will consist of three (3) parts:

I. Listing Grant

The listing grant will encourage eligible enterprises, which include foreign enterprises but exclude real estate investment trusts and business trusts, to seek a listing on the Singapore Exchange (“**SGX**”) by defraying part of their Initial Public Offering (“**IPO**”) costs such as legal and underwriting fees as follows:

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Eligibility	Level of funding
Enterprises in the new technology sector, which includes financial technologies, consumer digital technologies, on-demand services as well as gaming services and peripherals, with a minimum market capitalisation of S\$300 million	Co-fund 70% of eligible listing expenses, with a grant, capped at S\$1 million
Enterprises from high growth sectors such as digital cluster, advanced manufacturing, hub services, logistics, urban solutions and infrastructure and healthcare with a minimum market capitalisation of S\$300 million	Co-fund 20% of eligible listing expenses, with a grant, capped at S\$500,000
Enterprises from all sectors with no minimum market capitalization	Co-fund 20% of eligible listing expenses, with a grant, capped at S\$200,000

When a company selects a stock exchange to list on, various considerations such as a stock exchange's location, the sectors represented on a stock exchange and the cost of listing on a stock exchange will be deliberated on. By seeking to defray a portion of the IPO costs, the listing grant will enhance the attractiveness of the SGX to aspiring listing applicants. In particular, small to mid-cap companies seeking a listing may find the listing grant attractive as their IPO expenses may form a significant portion of the proceeds which they intend to raise. The growth of Singapore's future economy may also be enhanced if more enterprises in the new technology sector are drawn to list on the SGX in view of the substantial level of funding granted to such enterprises.

II. Research Talent Development Grant

The research talent development grant will nurture equity research analysts and retain experienced research talent to initiate research coverage primarily of listed mid and small-cap enterprises by co-funding locals as follows:

1. 70% of the salaries for fresh graduates hired as equity research analysts; and
2. 50% of the salaries for re-employed experienced equity research analysts.

The research talent development grant will facilitate the steady growth of a pool of equity research analysts to keep pace with the increase in the number of small-and mid-cap companies listed on the SGX. This will enable small-and mid-cap companies to receive fair valuations as there will be more coverage of these companies. Consequently, price discovery and liquidity will be facilitated and investors will be able to make more informed investment choices and be provided with more opportunities to invest profitably. In the long run, with greater exposure to investors, mid and small-cap enterprises may also be able to enhance their valuations.

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III. Research Initiatives Grant

In order to accelerate the growth of Singapore's equity research ecosystem, the MAS will earmark funds to crowd-source initiatives such as the publication of industry or sector primers, new approaches to distribute research and circulate enterprise information to investors.

The research initiatives grant is Singapore's most recent attempt to strengthen its role as an enterprise financing hub. In November 2018, the MAS had announced a private markets programme to fund up to US\$5 billion to locally-based fund managers who invest in private equity and infrastructure projects.

GEMS was introduced to strengthen the SGX as a centre for capital raising and enterprise financing amid the backdrop of a lackluster 2018 for SGX IPOs. In 2018, the SGX faced keen competition from other regional exchanges for listings and volatile financial markets due to the ongoing United States-China trade conflict.

According to the MAS, the grant for GEMS will come through the Financial Sector Development Fund ("**FSDF**"). The FSDF was established in 1999 under the MAS Act for the purpose of promoting Singapore as a financial centre; developing and upgrading skills and expertise required by the financial services sector; developing and supporting educational and research institutions, research and development; and developing infrastructure to support the financial services sector in Singapore.

GEMS will take effect from 14 February 2019 and the MAS will release more details closer to the date.

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