MAS Asian Bond Grant Scheme

The Monetary Authority of Singapore (MAS) launched its new Asian Bond Grant Scheme (the Scheme) on 9 January 2017 with the stated aims of strengthening the Asian bond market and encouraging Asian issuers to raise international capital in Singapore.

The Scheme aims to broaden the issuer base in the Singapore bond market by co-funding up to 50 per cent. of Eligible Expenses attributable to the issuance of certain Asian bonds listed in Singapore. The Scheme runs for three years and is available to first-time Qualifying Issuers on a one-time basis.

Key criteria of the scheme

- **What types of issuers are eligible for the Scheme?** Issuers eligible for the Scheme (**Qualifying Issuers**) are first-time issuing Asian companies and non-bank financial institutions with their global headquarters in an Asian country (ASEAN members, China, India, South Korea, Japan, Australia and New Zealand, together, the **Qualifying Jurisdictions**)).

  Non-bank financial institutions include policy banks (such as export and import banks).

  First-time Qualifying Issuers may also include issuers who have not filed a Return on Debt Securities[1] in the 5 years before 1 January 2017.

  Deposit-taking banks or entities licensed as a "bank" by the relevant authority are specifically excluded.

- **What type of bonds will qualify for the Scheme?** Bonds issued by Qualifying Issuers and denominated in USD, EUR or any of the local currencies of the Qualifying Jurisdictions will be eligible for the Scheme provided certain conditions are met, including:

  a) the issue is declared to be a Qualifying Debt Security (**QDS**) under the relevant Singapore regulations;

  b) for example, the bonds must be, among other conditions set out in the Income Tax (Qualifying Debt Securities) Regulations[2], substantially arranged by a financial institution in Singapore to qualify as a QDS;

  c) the principal amount of the issue is at least SGD200,000 (or its equivalent);

  d) the bonds must have a non-redeemable tenor of at least 3 years (with limited exceptions[3]);

  e) the bonds must be listed on the Singapore Exchange (**SGX**);

  f) more than half of the gross revenue from arranging[4] the issue must be attributable to FSI companies in Singapore; and

  g) if the bonds are denominated in SGD, they must be rated by any of Standard and Poor's Financial Services LLC (**S&P**), Fitch Ratings Inc. (**Fitch**) or Moody's Investor Services (**Moody's**).

1 This form is to be completed and submitted to the MAS within one month from the date of issue of all debt securities. (http://www.mas.gov.sg/~/media/MAS/News%20and%20Publications/Surveys/Debts/RODSMar%202015%20onwards.docx)

2 Clause 4 (Arrangements for qualifying debt securities): http://statutes.agc.gov.sg/aol/search/display/view.w3p;ident=f5d0fdfe-ed68-43d2-ba00-f0134f439f4e;page=0;query=Id%3A%22978dafa7-2359-4845-9c2a-ec53a269d9e9%22%20Status%3Ainforce;rec=0#pr4-he-

3 http://statutes.agc.gov.sg/aol/search/display/view.w3p;ident=b937aa64-f4a4-42d0-b491-edd152d2fd4d;orderBy=relevance;query=DocId%3A4d18a35a-ef3a-427a-b86d-cebc4be10966%20Depth%3A0%20Status%3Ainforce;rec=0#pr4A-he-.

4 "Arranging" includes securing the mandate, originating and structuring the bond issuance, documenting and preparing the offering circular and related transaction documents, and distributing and selling of the issuance.

– **Who can be a Lead Arranger?** A Qualifying Issuer must appoint a Lead Arranger to carry out due diligence (including having consultations with MAS) to determine whether the issuer is eligible for the Scheme. The Lead Arranger must be a bank, licensed as a Financial Sector Incentive (**FSI**) Company[5] in Singapore.

– **What expenses are reimbursable?** Expenses of a Singapore-based provider which are incurred by a Qualifying Issuer and are directly attributable to a Qualifying Issuance, are eligible for co-funding under the Scheme. **Eligible Expenses** include arranger fees, auditor's fees, credit rating fees, legal fees and listing fees.

There is a cap on per-issuance expenses: Qualifying Issuers can only apply for up to 50 per cent. of the total Eligible Expenses per issuance, subject to a cap of (i) SGD400,000 where the Qualifying Issuance is rated by any of S&P, Moody's and Fitch; and (ii) SGD200,000 where the Qualifying Issuance is not rated. This can be done once per Qualifying Issuer.

Certain expenses (such as printer's fees, trustee fees, paying agent fees, roadshow and marketing fees, Goods and Services Tax (GST) and certain other taxes) are specifically excluded.

Where the criteria are met

Where the above criteria are met, the Lead Arranger will submit, on behalf of the Qualifying Issuer, a completed application form to MAS, together with the relevant invoices for reimbursement of Eligible Expenses no later than 3 months after the issuance date of the relevant bond.

Summary and observations

This is a positive move by MAS to strengthen the Asian bond market in Singapore and to increase the volume of SGX-listed bonds. The Scheme is specifically aimed at first-time Asian bond issuers and will also be of interest to banks licensed as FSI companies arranging and selling such issuances. If an issuer is of the view that it could benefit from the Scheme, it is encouraged to seek legal and tax advice pre-issuance and to consult with the MAS prior to applying.

It remains to be seen how the Scheme will be implemented in practice and how successful it will be in increasing Asia's share of the global bond market over the next three years.

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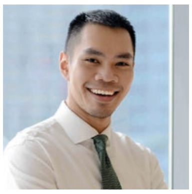

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5 Financial Sector Incentive Scheme applies to licensed financial institutions and seeks to encourage the development of Singapore's financial services sector.