



IMAS *20th* *Anniversary* *Report*

Honouring the Past and
Celebrating the Future

Nurturing Excellence,
Growing Opportunities

imas
INVESTMENT MANAGEMENT
ASSOCIATION OF SINGAPORE







Contents

Welcome to the 20 th Anniversary Report!	5
Foreword	6
In retrospect: IMAS' Role in Singapore's Asset Management Industry	7
The Current Marketplace and What's in Store	13
Musings on the Future	16
Final Thoughts	20
Acknowledgments	21



Welcome to the 20th Anniversary Report!

Happy 20th Birthday, IMAS!

Welcome to this special edition of the Investment Management Association of Singapore (IMAS) 20th Anniversary Report, which has been put together to commemorate the past 20 years of IMAS' involvement and contribution to Singapore's asset management industry. While we look to honour the past, it is equally important that we celebrate the future we see in Singapore's asset management industry, which has grown by leaps and bounds over the last two decades.

We are entering a period of unprecedented change, and what has been regarded as the "norm" in the past no longer holds true. The political changes in the US and in Europe, the geo-politics in Asia and the nationalistic fervour in many countries globally, which look likely to bring the trend of globalisation to an abrupt halt, means that the industry will experience a somewhat bumpy ride, if not a slowdown.

Nonetheless, we believe that Asia remains a bright spark, and the continued trend to see some form of financial, if not economic integration across Asia will continue to create opportunities for those prepared to take risks and take a long-term, broader perspective of the future. Asia's growth in assets and wealth, coupled with shifting demographic trends, urbanisation and its maturing middle-class all provide good foundations for the asset management industry to continue its upward path. Singapore, being at the centre of all these changes, has shown over the last 20 years the initiative, and willingness to invest with great interaction and collaboration between the industry and the regulator to work for the greater good.

As we celebrate the last 20 years, it is also an opportune time to think about the next 20 years, and what we need to collectively do to bring Singapore closer to the forefront of asset management in Asia, if not globally. In putting together this report, we have surveyed the wider IMAS membership on some key factors and considerations, and also conducted face-to-face interviews with a number of the "pioneers" of IMAS and the asset management industry. We hope it has succeeded in bringing forth some of the steps Singapore and IMAS can take to prepare for the next 20 years of success.

Justin Ong

*Asia-Pacific Asset & Wealth Management Leader,
PwC Singapore*

Michael Lim

*Executive Director,
Investment Management Association
of Singapore*



Foreword

Twenty seventeen (2017) marks a very special time for all of us at the IMAS as we celebrate our 20th birthday on 22 September. I am delighted to introduce this anniversary report, so superbly produced by PwC and appropriately entitled “Honouring the Past and Celebrating the Future”. In this study, we not only reflect on the early days and the evolution of the asset management industry in Singapore over the past 20 years but we also gaze into the crystal ball and attempt to forecast what the financial landscape could look like over the next 20 years.

Our industry has undergone a significant series of transformations since the early 1980s when I first arrived in Singapore. From a mere S\$125 billion in assets under management (“AUM”) in 1996, we now manage S\$2.6 trillion and host about 620 registered and licensed fund managers. A strong and supportive infrastructure coupled with robust financial regulation have undoubtedly contributed to both the speed and the breadth of our industry’s expansion.

As we contemplate the next 20 years, which will no doubt enjoy its fair share of geopolitical uncertainty and volatile economic conditions, the ability to successfully navigate an unpredictable future has become even more critically important. Also, a new generation of investors, more tech-savvy, better-informed, and more sophisticated in investment knowledge has evolved over the past two decades. They seek greater transparency, better value for money and are showing an increased desire for sustainable investment strategies. For asset managers to thrive, it will be imperative to embrace and adapt to these many changes if we are to remain relevant and serve our customers around the world.

I would like to thank all my industry colleagues who have provided their thoughts, input and feedback; to PwC for putting this excellent research study together; and, finally, to all the members of IMAS, for representing and spearheading the industry over a very eventful 20-year period. We look forward to more great years ahead!

Best regards,

Nicholas Hadow

Chairman,

Investment Management Association of Singapore

In retrospect: IMAS' Role in Singapore's Asset Management Industry

Nineteen Ninety-Seven (1997), the year of IMAS' founding, was a watershed year. The asset management industry was still relatively small as compared to the overall financial services industry in Singapore, where much of the focus was on insurance and savings, and the central pillar for investing for the general public was the Central Provident Fund (CPF) scheme.

The start of the Asian financial crisis in late-1997, which continued into 1998, took a severe toll on the marketplace, and Singapore was not spared. The financial services sector, one of the worst hit industries, registered a sharp contraction of 7.4 percent in 1998.

A lot has changed in the past 20 years. The financial services industry has since grown and developed. As for the asset management sector, it has not only gained greater importance within the financial services ecosystem, but it is seen as one which has a strong foundation for growth, and the ability to be a significant game-changer for the future. Throughout this period of change and growth, IMAS has played a central role in representing the industry's voice through constant communication, advocacy and education with the regulator, government bodies, industry professionals, media and the investing public.

Fast forward 20 years to 2017: Singapore's asset management industry has become a global hub for investors and managers, and is central to the local financial services industry. IMAS is now entering its third decade. The growth of emerging markets in South East Asia alongside the development of talent and infrastructure in Singapore has consolidated the city-state's position as the go-to asset management hub in South East Asia and in the broader Asia Pacific region.

Challenges, risks, and opportunities will continue to exist as they have in the past. At the same time, the current climate of uncertainty presents a platform for innovation for the new economy. With higher regulatory expectations and technology advancement changing the landscape at an ever rapid pace, the future for Singapore and IMAS is exciting but needs vigilance and guidance.

How will Singapore's asset management industry get there?

When Singapore became independent in 1965, the government initially focused on trading and manufacturing activities to spur economic growth. This

was followed by other sectors, such as shipping, which was a natural fit being ancillary to trading activities. The banking sector was also developed to support these activities.

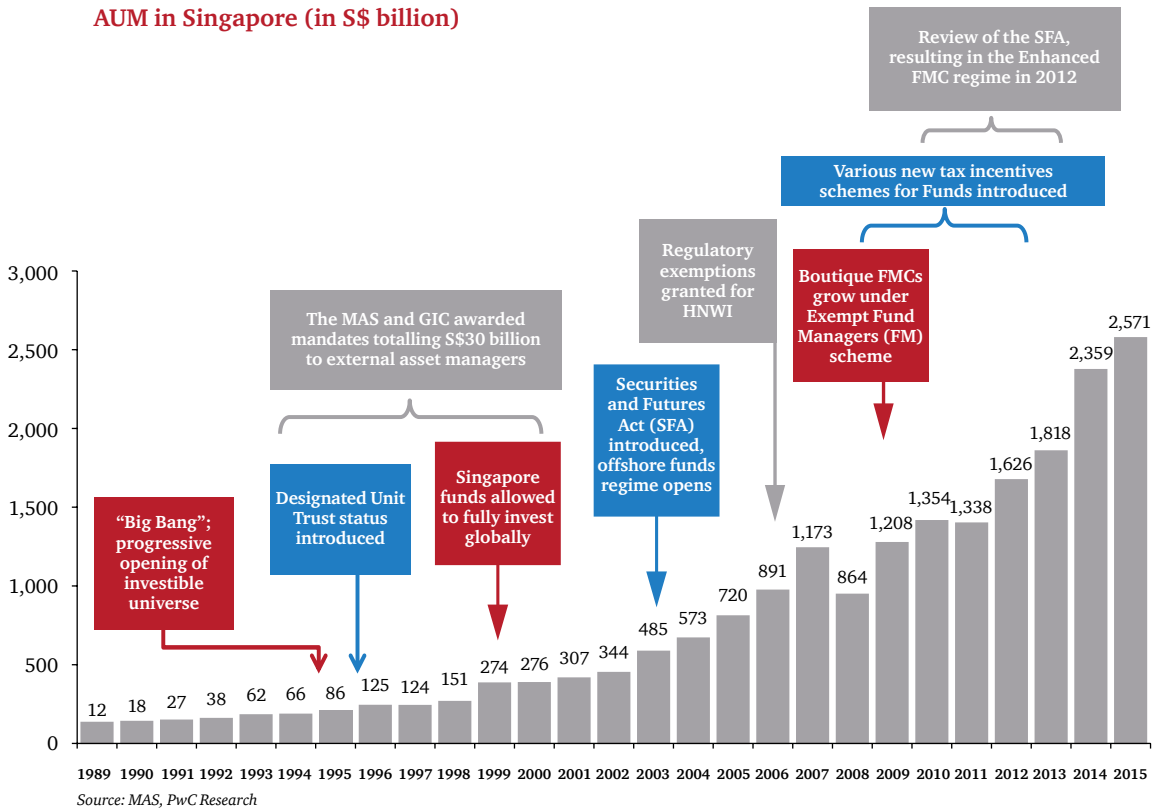
In 1992, the former Prime Minister Mr Lee Kuan Yew expressed his vision to transform Singapore into a developed market financial centre, starting with enhancing the banking industry, followed by the asset management sector. The introduction of the unit trust regime led to a gathering of Singapore's savings. This however, was a restricted regime which allowed for only onshore investments. In 1994, Mr Lee announced Singapore's "Big Bang" strategy for the asset management industry, which would, over the years, seek to liberalise the industry so as to allow for more offshore investment by local funds on a progressive basis, and eventually opening up the market to more foreign players. This announcement was also followed by a scheme in 1998 to allow external asset managers to manage up to S\$30 billion of GIC and the Monetary Authority of Singapore (MAS) assets.

The creation of IMAS in 1997 amidst the Asian financial crisis was a strategic move. There was a need for a strong developmental organisation to set the benchmark for the investment and fund management sector in Singapore. IMAS started out with 10 founding members in 1997, and has since grown to 132 members in 2016.

The 10 founding members were: Overseas-Chinese Banking Corporation, the Development Bank of Singapore, Keppel Bank of Singapore, Prudential Portfolio Managers Singapore, Nomura Asset Management Singapore, Overseas Union Bank, Tat Lee Bank, United Overseas Bank, the Singapore Society of Financial Analysts and the Stock Exchange of Singapore (SGX).

Since the asset management industry began its growth in late 1994, great strides have been continually taken by the government, through the MAS, to develop and introduce reforms and enhance the regulatory framework to encourage further growth, all with the aim to make Singapore the leading financial centre in an increasingly competitive global market. Working closely with industry players and other government agencies, the MAS revamped the regulatory framework in 2002 and also formulated strategies to stimulate growth in specific sub- industries within the financial services sector.

Figure 1: Singapore's AUM and milestone



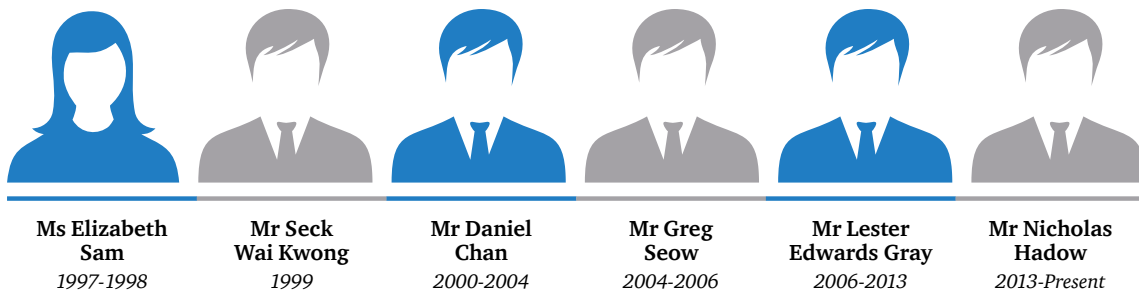
Whilst global markets were generally mixed in 2015, the assets under management (AUM) in Singapore grew to a record S\$2.6 trillion at the end of 2015. This performance, whilst was positively correlated to the growth of the world economy and increased globalisation, it was supported by the augmented involvement of the investment industry professionals and the government bodies, as well as with the high engagement of the investor population within Singapore through various channels.

"A critical and important role to ensure the adoption and application of best practices."

Throughout this journey, IMAS and its members have done a sterling job in helping Singapore's asset management industry understand and navigate both local and global regulatory as well as reporting changes. Further, they have advocated industry concerns to and worked with the government and regulator to provide the industry with practical solutions and goals. IMAS currently has four sub-committees:

Regulatory, Education, Development, and Risk and Performance, with its overall strategic direction provided by its Management Committee. The Management Committee and each sub- committee are comprised of member representatives who are industry professionals hailing from a wide variety of sectors related to asset management.

Over the past 20 years, IMAS progressed under the leadership of six Chairpersons:



Maintaining a healthy communicative relationship with the regulators and governmental bodies – such as the MAS, the Inland Revenue Authority of Singapore (IRAS), the Central Provident Fund Board (CPF), and others – early in the policy making process, and working on implementation issues has helped to ensure greater ease of transition, comprehension, and thus compliance by the industry.

Examples of regulatory collaboration started as early as the consultation with the MAS on the Unit Trust handbook in 1997, to the latest amendments made to the Outsourcing and Anti-Money Laundering Guidelines in 2016. Throughout the course of this time, IMAS participated in more than 97 consultations and closed door meetings with regulators, looking into issues that have had an impact on the industry.

“Pivotal role in providing a central point for investors, fund managers, administrators, regulators and other service providers. Strong promoter of industry and clear leader in industry associations.”

The notable regulations where IMAS was involved are: Consultations on Draft Legislation and Proposed Legislative Amendments to Effect the Policy Proposals under Financial Advisory Industry Review (FAIR), Proposed Legislative Amendments to Authorise Inspections by Foreign Regulatory Authorities under the Financial Advisers Act, Consultation on Asia Region Funds Passport and the Association of Southeast Asian Nations (ASEAN) Collective Investment Scheme (CIS) Framework, and Consultation on the Foreign Account Tax Compliance Act of 2012 (FATCA) Regulations and e-tax guide.

In addition to regulatory involvement, education is a cornerstone of IMAS’ goals. Since 2007, IMAS has been in collaboration with Nanyang Polytechnic (NYP) to train middle and back-office staff. Further, a strategic partnership with the National University of Singapore (NUS) Business School’s Centre for Asset Management Research & Investments (CAMRI) has helped to advance innovation and development in the asset management industry. Last but not least, the collaboration with the Sim Kee Boon Institute of Singapore Management University has further led the development of asset management industry-related research.

Since 1998, IMAS has been a proud contributor to educating the general public on subjects relating to asset management – for example, through contributing various articles to the Sunday Times and TODAY papers. It has also supported television programmes focused on investor education such as “Money Tree” (English) and “Li Cai You Fang” (Mandarin). Participation by IMAS members in the investor education project in collaboration with the MAS, Ministry of Community Development and Sport (MCDS), CPF and SGX, via Project MoneySENSE, has also been high over the years, demonstrating the industry’s keenness to develop investor education in Singapore.

To uncover new growth opportunities in its commitment to industry development, IMAS has actively participated in local, regional and global industry events. Since 2000, IMAS has hosted and attended more than 50 external industry events globally.

In addition, visits from other industry representatives from around the world have strengthened IMAS' brand. These associations include the Association of Luxembourg Fund Industry (ALFI), the Bahrain Association of Banks, the Asset Management Association of China (AMAC), the Irish Funds Industry Association, and the European Fund and Asset Management Association.

"Giving good guidance to its members in addition to MAS regulations and having regular educational programmes about industry trends and relevant topics for fund management."

Further supporting the growth of its brand name, IMAS became a global member of the International Funds Association (IIFA) in 2008.

To encourage local industry participation and engagement, IMAS brings together industry players to highlight and discuss key issues through its annual conferences. 2017 marks the 18th year of the IMAS' Annual Conference.

"The asset management industry is [by all counts] a young industry. IMAS has done well to shape the initial industry during the nascent years. It has guided policies on investing, developed competencies in investments, etc."

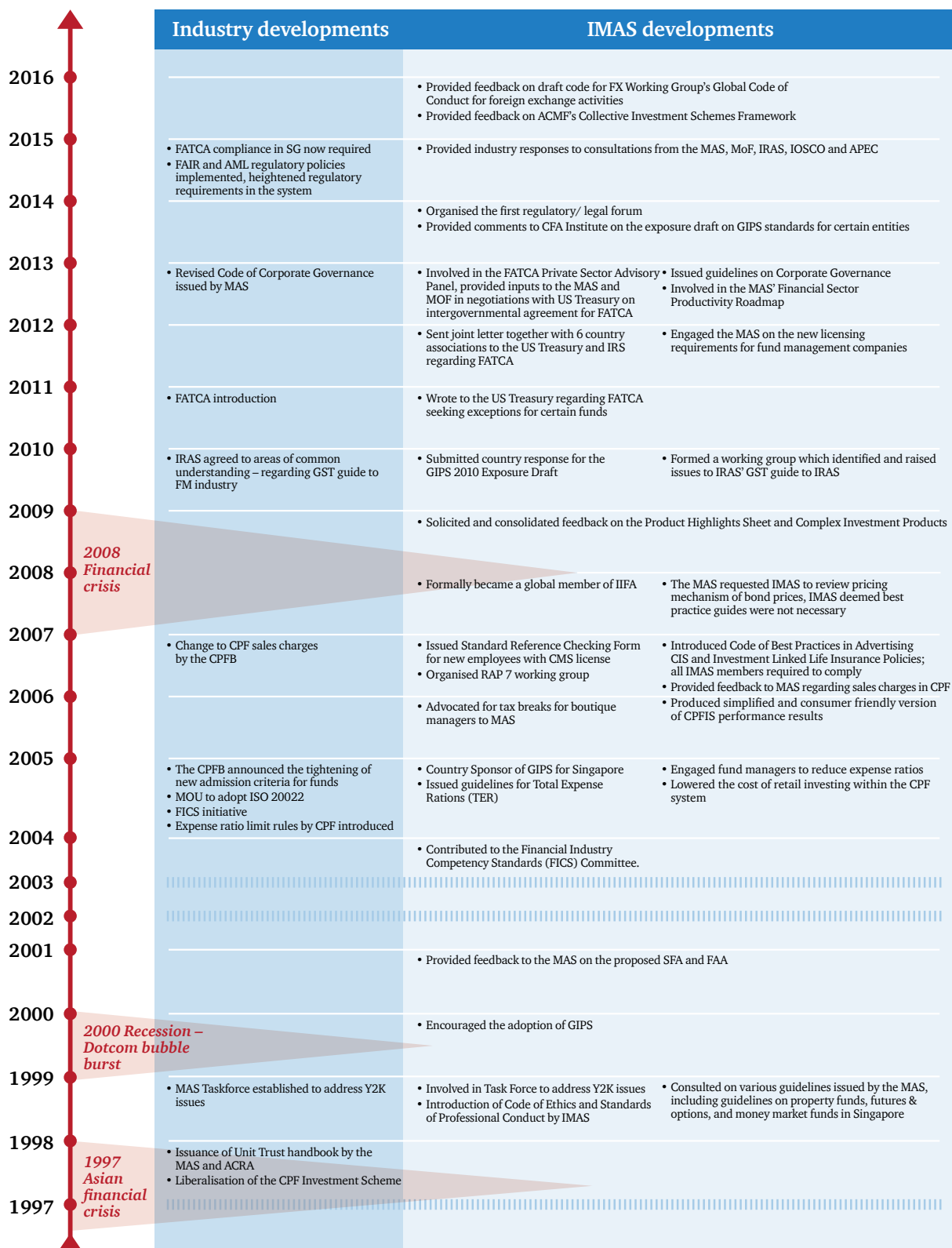
IMAS also played an instrumental role in making Singapore a Country Sponsor of the Global Investment Performance Standards (GIPS), in collaboration with the Chartered Financial Analyst (CFA) Institute. The GIPS creates best practice standards in the measurement, analysis, management and reporting of investment risk and performance. IMAS is also the first industry association in the world to develop best practice guidelines to help asset managers structure and manage their risk and performance analysis functions.

IMAS' journey

Over the past 20 years, IMAS contributed significantly to the development of Singapore's asset management industry. Figure 2 illustrates the relationship between market events, governmental regulatory changes and IMAS' industry involvement.



Figure 2: IMAS' contribution towards industry developments



As part of this 20th anniversary report, an industry survey was conducted to gather views and perspectives from industry practitioners on a variety of topics. These views include how Singapore is placed as an asset management centre relative to other fund jurisdictions in the region, how and in what way Singapore has overcome the challenges of the past, where can future opportunities be found, and what is IMAS' role amidst the past two decades of change and its positioning for the next 20 years.

Figure 3: Members' survey responses

What are the top three challenges faced by the asset management (AM) industry twenty years ago that have been addressed so far?	What are the top three opportunities witnessed by the Singapore AM industry twenty years ago that have been appropriately capitalised on?		
Lack of knowledgeable / skilled work force	67%	International branded players entering the market place	55%
Infant regulatory framework	47%	Robust regulatory environment	45%
Small sized or infant market place	37%	Investor demand from the private banking industry	45%
International reputation/brand/image	37%	Incentives to boost boutique asset managers	38%
Lack of operational support/ infrastructure/quality service providers	27%	Strength of the governance framework for investment funds industry	31%

The top three challenges faced by the asset management industry in Singapore – that were addressed in the past 20 years include (by order of importance):

- A lack of knowledgeable/skilled workforce (67%)
- An infant regulatory framework (47%)
- A lack of international reputation and a small sized marketplace (37%)

The survey further notes that the top three opportunities which have been appropriately capitalised on throughout the past 20 years are (by order of importance):

- International branded players entering the market place (55%)
- A robust regulatory environment (45%)
- An increased demand from the private banking industry (45%)

IMAS has been instrumental in addressing these challenges head-on throughout the last 20 years. It has led the development of the industry through advocacy initiatives including:

1. Education initiatives to improve public knowledge and understanding of the investment management industry
2. Collaboration with educational institutions to develop the talent pool
3. Consultation with regulators on proposed legislations
4. Strengthened ties with overseas institutions to increase the recognition of Singapore's brand

The uncertain markets ahead will undoubtedly present new challenges for Singapore's asset management industry. IMAS will need to continue to stay abreast of the developments in the asset management industry, and deepen its engagements with industry practitioners, regulators and industry associations outside of Singapore to help the city-state remain relevant and competitive.

The Current Marketplace and What's in Store

As the global asset management landscape undergoes dramatic changes, it comes as no surprise that Singapore will be impacted. Further, given its relatively small domestic market size and its lack of a hinterland to provide the much needed safety “trampoline” of scalability and growth, Singapore cannot afford to remain at a standstill.

Investors and asset managers are also focused on dealing with increased regulation and compliance requirements locally, regionally and globally, not forgetting to mention the sheer diversity of investment avenues and products, as well as the increasing sophistication of investors and changing buying behaviours.

From 2003 to 2016, the asset management industry in Singapore has been able to offer a wide variety of options to investors that best matched their needs. Bond yield schemes, sector specific schemes, exchange-traded funds (ETFs), real estate investment trusts (REITS), business trusts and other investment options have been made available to investors through many channels, allowing them to participate indirectly in the capital markets.

In this period, as product offerings moved beyond basic and plain vanilla investments, it was imperative to educate investors on the importance of understanding concepts beyond saving and budgeting, in order to better comprehend the various products in the market and to stay informed of market developments to protect their interests.

The global financial crisis in 2007 laid bare some shortcomings in the financial services industry in Singapore, in particular how financial instruments and products were sold to the retail public. Not only were complex financial instruments packaged and aggressively marketed pre-crisis, but there was a lack of tailoring of such products to investor understanding and sophistication. There were also numerous allegations of product mis-selling, pushed by the drive for greater revenues, fees and commissions. The asset management industry in Singapore, while not directly involved in the sale of such products, nevertheless faced the headwinds of investor frustration and their mistrust of financial products post-crisis, and fund sales were affected.

Since then, regulators worldwide, including the MAS, have intensified their efforts to bring about more robust regulation around product suitability, know-your-customer rules and increasing transparency around the fees and commission structures on financial products. IMAS played a key role in the development of the MAS Guidelines on Product Highlights Sheet which was issued after the crisis.

In addition, regulators also focused on creating an environment to help develop more knowledgeable and empowered investors: individuals with access to timely and quality information, who understand their rights, roles and obligations, and are able to exercise such rights effectively.

Ultimately, informed investors constitute the best line of defence against abuse, fraud and costly errors. Great emphasis was therefore being placed on providing the investing public with timely, meaningful information.

Challenges and opportunities

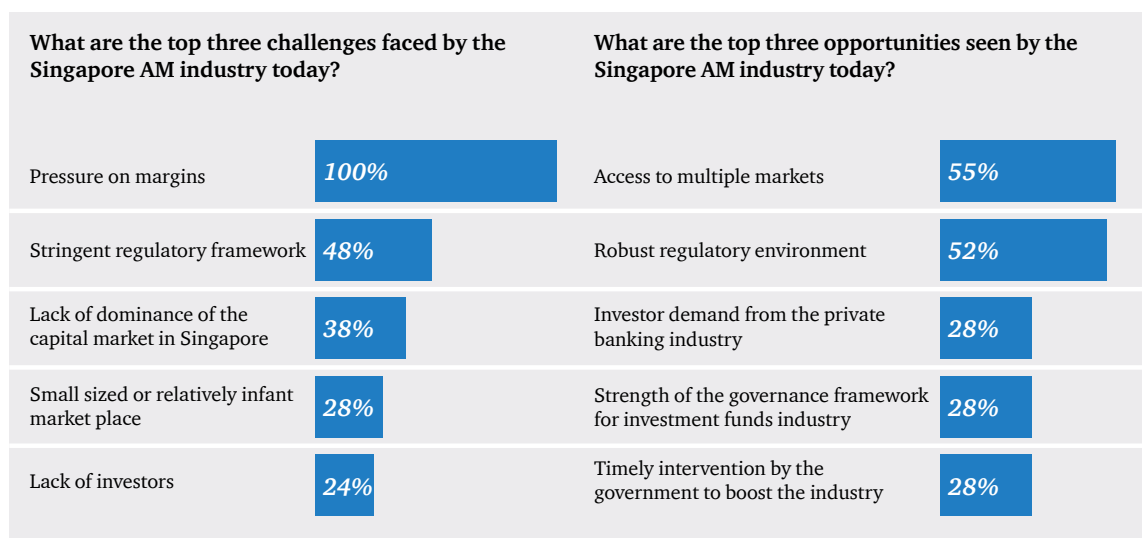
When asked about the challenges currently faced by Singapore’s asset management industry, the top three concerns indicated by the survey respondents are:

- Pressure on margins (100%)
- Stringent regulatory framework (48%)
- Lack of dominance of the capital market in Singapore (38%)

On the other hand, the top three opportunities seen by the industry players/ professionals surveyed are:

- Access to multiple markets (55%)
- Robust regulatory environment (52%)
- Investor demand from the private banking industry (28%)

Figure 4: Members' survey responses



As identified by survey participants, the biggest challenge currently faced is systemic in nature due to the fundamental changes impacting the industry and its operating environment.

Globally, all asset managers are faced with increasing margin pressure as a result of more difficult markets, poor performance and higher operating costs, coupled with a heavier compliance burden. The picture for Singapore is no different, particularly as many asset managers operate across the Asia Pacific region, thus necessitating the duplication of costs to manufacture and distribute products due to the lack of harmonisation and portability of regulations and products regionally.

On one hand, it is interesting to note that industry practitioners, to some extent, still feel that there is a stringent regulatory framework, particularly around licensing requirements for representatives, timeliness of regulatory response to market dynamics and changes, the lack of flexibility in rule-making, and in adopting a one-size fits all position. On the other hand, the survey respondents also say that the robust regulatory framework has enabled Singapore to shine among the competitive fund jurisdictions – which points to the existence of an interesting conundrum among the community. In short, it is all about getting the balance right.

The lack of dominance of the capital market in Singapore is certainly high on the list of challenges, not just in terms of liquidity and trading volumes, but also in the ability to raise capital. There is a recognised need for Singapore's capital market to develop further in terms of depth and its level of sophistication, so as to be able to reach a critical mass to compete with the other regional stock exchanges. One suggestion received from a survey participant was to push for incentives to increase listings on the SGX to help generate more investment opportunities in the ecosystem. Asset managers may then leverage on these opportunities to attract quantitative modelling specialists and enhance the tradability of ETFs.

On the plus side, Singapore's geographical position, advanced regulatory environment and broad appeal as a place of domicile means that its key positive feature is being the fund centre with strong accessibility to multiple markets. One thing is for certain, the developments within the industry to create a regional funds passport programme will be critical to Singapore's success as a competitive market for regional access. We hope to see Singapore throw its hat into the ring again as a full participant in the upcoming Asia Region Funds Passport (ARFP) initiative.

Another thumbs-up to Singapore is its development of its private banking channel as a significant contributor of fund flows, which compensates for the small domestic retail market. Nods were also given to the strength of the investment funds governance framework, and timely intervention by the government to boost the industry. The announcement made by the Singapore government on the upcoming introduction of the Singapore Variable Capital Company (S-VaCC) legislation, a new law for investment company structures in the country, together with the recent Consultation Paper (issued in February 2017) for a Proposed Regulatory Regime for Managers of Venture Capital Funds, is an example of this. We believe that the continued efforts of the MAS to engage and work with industry bodies such as IMAS to bring new ideas and grow the asset management industry bodes well for the future.

Some of the interesting feedback gathered from the survey participants regarding the strengths and weaknesses of Singapore's asset management industry include:

Strengths

- Concentrated financial marketplace with low barriers to entry
- Equal treatment for local and offshore funds in retail fund distribution
- Skilled workforce

Weaknesses

- Expensive place to do business
- Lack of cost transparency for funds, and the existence of an entrenched commission-based model for sales
- Lack of a diverse and mature institutional investor base

Musings on the Future

Looking into the future

Despite current market uncertainties as we enter the second quarter of 2017, we all know that economic and financial cycles go up and down, and the ability to ride things out for the longer term is fundamental to the longevity of Singapore's asset management industry.

PwC's Asset Management 2020 report "A Brave New World", released in 2014, noted that amidst unprecedented economic turmoil and regulatory changes, most asset managers at that time afforded themselves little time to bring the future into focus. It was recognised then that the industry stood on the precipice of a number of fundamental shifts that would shape the future of the asset management industry.

Some of the main 2020 forecasts of the landscape include:

- A huge rise in assets and shift in investor base. The rise in the volume of investable assets globally is set to increase from around US\$64 trillion in 2014 to approximately US\$102 trillion by 2020, a compound growth rate of nearly 6%. AUM in the SAAAME (South America, Asia, Africa and the Middle East) economies are expected to grow faster than in the developed world. Growth in assets would be driven by three key trends: government-incentivised shift to individual retirement plans, the increase of high-net-worth- individuals (HNWIs) from emerging populations, and the growth of sovereign wealth funds (SWFs).
- Pressures on the asset management industry. Alongside rising assets, there would be rising costs. First, the costs of complying with regulation would remain high, and commercial cost pressures would rise as firms grow their distribution networks. Fees would come under continued pressure amid the ongoing push for greater transparency and comparability. Investment in technology and data management would need to be maintained or increased to maximise distribution opportunities and to cope with regulation and reporting.
- Nothing to hide, nowhere to hide, and nothing at risk. Full transparency over investment activity and products would by then exist at all levels. There would be nowhere for non-compliant managers to hide as regulatory and tax reciprocal rights criss-cross the globe. By 2020, only the plain vanilla managed account would remain outside of regulatory reporting. By 2020, regulators would have real-time access to portfolios, cross-referenced to market data.

Sitting now in 2017, a number of these expectations have already come to pass. Asia now has more wealthy individuals and net wealth than anywhere else in the world. While growth in the SAAAME economies may have slowed, it remains at a good pace compared to the rest of the world. In Asia, more governments are reviewing the retirement and pension infrastructure to plan for ageing societies, and changing their investment patterns and asset allocation to find greater yields as well as returns, particularly in alternative investments. A greater level of transparency and fee disclosures, if not outright bans on commissions and retrocessions are now mainstream discussions among investors, regulators and the industry. For example, The Retail Distribution Review (RDR) and the Markets in Financial Instruments Directives (MiFID) are being felt in increasing force and challenging old style practices. FATCA and the Common Reporting Standards are already forcing asset managers and their counterparties to rethink the way they manage and deal with customer information, due diligence and reporting. It is also not unthinkable that the controversial US Department of Labour's Fiduciary Rule, if implemented, may eventually find its way into the global and Asian marketplace, further increasing the role and responsibilities of financial advisors and putting more pressure on the industry as whole to ensure better protection for investors.

Nonetheless, the future of asset management will continue to bring exciting possibilities and opportunities to re-invent itself. With developed markets having set global benchmarks in standards of operations and expectations from investors as well as regulators alike, new and developing markets are starting to move towards this increased sophistication. Singapore, as the eminent hub for regional asset management in Asia, has the best opportunity to take advantage of the fast changing world, and position itself to be the preferred centre for asset management, from manufacturing to product development, fund administration and new technologies (i.e. robotics, online wealth management and even cognitive science and data analytics in investment processes and decision-making).

Singapore already stands out today as a gateway for global investors interested in investing in Asia. Investment groups are increasingly attracted to Singapore for its proximity to major Asian markets, and in many cases



portfolio managers, analysts and traders are being relocated to Singapore to enable them to make better decisions as a result of being closer to large markets in the region – both for funds and as well as for institutional mandates. This is the result of many of the infrastructure and ecosystem initiatives and developments Singapore has put in place over the years, but is also augmented by the presence of significant investment research opportunities in Singapore. Easy access to major countries in the region is critical to the investment decision-making process. Similarly, access to academic institutes and think tanks based in Singapore, such as the Lee Kuan Yew School of Public Policy and the Institute of South Asian Studies, among many others provides new avenues of thought and ideas, hence providing fertile grounds for intellectual creativity and origination. Other external factors which have helped create a more robust investment environment include the numerous industry conferences with high level global participation, as well as regular visits by financial policy makers from many countries. From an execution perspective, the role of the currency and regional local bond and credit market trading capabilities is also important for asset managers. In the IMAS 20th anniversary survey, some of the interesting ideas and suggestions shared by the participants on areas where Singapore should work on over the next five to 20 years include:

Deepening the pension and retirements pool

The need for a better retirement, savings and investment plan is well recognised by the industry. Views from participants include reforming the pension space to encourage longer term investment, rather than leaving CPF monies in guaranteed return accounts. These also include opening up the discussion for private and independent pension arrangements and thus putting less reliance on CPF alone. The industry would also like to see a gradual opening up of the CPF investment scheme with more flexibility in choosing investment options and access channels. The announcement by the Government in 2016 regarding the revamp of the CPF Investment Scheme over the longer term (currently in the works) was therefore well-received.

Increased access to cross-border markets

A key strength within Singapore is its strong relationships with other countries. Capitalising on this through more memorandums of understanding and bilateral agreements would help create more value-add to the

economy. This would require the involvement of key policy makers within the various regional governmental organisations, and is something the industry and IMAS have been pushing for over the past few years. The ARFP scheme, created under the Asia-Pacific Economic Co-operation network, will provide a multilaterally agreed framework to facilitate the cross-border marketing of managed funds across participating economies in the region. The Asia Pacific region has been a hotbed of activity and innovation for mutual funds in recent years. As the next largest destination of the Undertakings for Collective Investments in Transferable Securities (UCITS) sales outside of Europe, Singapore stands to benefit from this expansion. To remain competitive, Singapore needs to re-iterate its position in this big game changer by signing up to become part of the ARFP again. This view is shared by the survey respondents, who support the need for Singapore to be one of the fund domiciles of choice for regional fund passporting initiatives. A take-away from this is also positioning for the future ability to negotiate for Singapore domiciled funds to gain similar passporting recognition into other jurisdictions, including Europe.

Technological change and innovation

Without a doubt, the increased innovation and development in technology has seeped into the financial services industry, and is now forcing financial institutions, including asset managers, to push the boundaries so as to adapt and change to stay relevant. According to the survey participants, the key areas where technology has made and is expected to drive further changes in the industry are: compliance, risk analytics and reporting, and reconciliations. Going forward, compliance is expected to make more use of “RegTech” (regulation technology) solutions, particularly with respect to Know Your Customer (KYC) and Anti-Money Laundering (AML) requirements.

The use of artificial intelligence (AI) systems and risk heuristics technology is also expected to improve risk analytics and reporting. This will streamline the process of risk analytics, while significantly reducing manpower requirements through more robotic process automation across the front, middle and back-office operations. The use of blockchain for transfer agency operations, fund registrations and other areas is expected to change the way in which asset managers, distributors and asset servicers process transactions and report to investors.

Fee structures

The debate about fees has raged on for some time now, and there is still no simple solution to address the supply and demand aspects of fund sales and distribution with a commonly agreed and acceptable fee arrangement. Whether the future of advice will be “free” as created through disruption of robo-advisors, be subject to a fee-based arrangement, or remain a cocktail mix of commissions and retrocessions has yet to be determined. Still, industry participants noted the need for change, and perhaps a good place to start is more fee transparency on the part of fund managers, distributors and platforms. One of the suggestions from a survey respondent was for Singapore to consider becoming the regional leader in a “fee for service” versus “pay to play” model. At the end of the day, the focus should be on reducing the cost of distribution, or at least, to ensure value-for-money through objective advice, so as to encourage more investments for the long term.

Enlarging the asset management ecosystem

Since the early 1990’s Singapore has focused primarily on the development of asset managers, providing incentives and encouragement to grow talent in the front-office. While bringing in talent around investment idea generation and portfolio management has certainly been a strong factor driving industry growth, this will not be sufficient to maintain Singapore’s position as the leading fund jurisdiction in Asia and beyond. A healthy asset management ecosystem, as experienced by successful fund centres such as Luxembourg, Dublin and Boston, must encompass a broader universe of professionals and specialists who cater to, and service the asset management industry. This includes the need for fund administration and operations, product development, risk management, client servicing and marketing as well as compliance, not to mention legal and accounting. In the current environment, this exists within Singapore, but could be further developed in terms of talent depth, experience and innovation. This compares to parallel industries such as commercial banking, investment banking and private banking, where these functions are much more developed and advanced in their application. The introduction of the upcoming S-VaCC will provide the impetus for this development, as the creation of a Singapore investment company structure which has global application will create new opportunities to broaden the asset management ecosystem.

IMAS: Staying relevant for the future

As the main trade body for the promotion of Singapore’s asset management industry, IMAS has many challenges to face to maintain its relevance. IMAS has done very well over the past 20 years, and there is every reason to believe that IMAS will remain key to Singapore’s development. Industry participants to the survey highlighted the following top three points which IMAS should work on to stay relevant, given the changing economy and industry:

“Continue to be the voice of the industry to regulators, distributors and investors. Maintain the highest possible ethical standards for industry practitioners.”

External marketing of Singapore

Singapore’s future will be one of global relevance, and the asset management industry is no different. In order to maintain its position as the premier asset management hub, Singapore needs to do more to become the face of global asset management, and be seen to be more open in raising the Singapore brand globally. Other investment management associations around the world, in particular Luxembourg, Ireland and Hong Kong, have taken a very proactive approach to engage regulators, investors and asset managers in other countries. IMAS can play a role in Singapore’s drive to become more globalised, through organising roadshows, promotional campaigns, and even by considering the set up of satellite offices in global locations to work more closely with the industry on the ground so as to enhance Singapore’s image and increase visibility.

Enlarging the coverage to embrace all asset managers

The growth of the asset management industry in Singapore over the past 20 years has been diverse, starting with traditional retail funds, and eventually moving across the hedge funds, private equity and real assets, and now venture capital. Given the enlarged universe of players, IMAS should look to become the main body representing all asset managers in Singapore, and embrace the diversity of players to reflect the current and future environment. Going forward, there is also the view that IMAS should work closer in partnership with the regulator to position itself for a much wider role – for example taking on a Self-Regulatory Organisation (SRO) type mandate and be entrusted to take on certain registration and monitoring roles within the industry.

“Continue to increase its profile and improving its engagements with key stakeholders in the fund management industry.”

Educate investors

“Keep up the good work in the outreach to industry and be the industry’s bridge to MAS.”

Investment literacy is a generational effort, requiring outreach and continual education on a wide spectrum of target groups with differing investment needs and understanding. Increased investor education should continue to be a cornerstone for IMAS.

All in all, Singapore is leading the way in product innovation, development and structuring. It is also contributing efforts to promote more standardisation as well as cohesion to further reduce barriers that hamper cross-border transactions and activities. The MAS and the government are seen to be fully committed to enhancing policy measures

and the ecosystem with education, and incentives for development and research that ensures the viability and sustainability of the funds industry in Singapore. In turn, the industry, academia and other stakeholders should continue to innovate and experiment with alternative structures, as well as to provide solutions that respond to evolving market needs. This is the Asian decade for asset management and Singapore, with the involvement of IMAS – the industry body in the country – is well positioned to become and maintain its role as the true asset management hub for Asia.

“Encouraging and promoting global best practice. Assisting with investor education efforts. Providing a two-way conduit between members and regulators.”

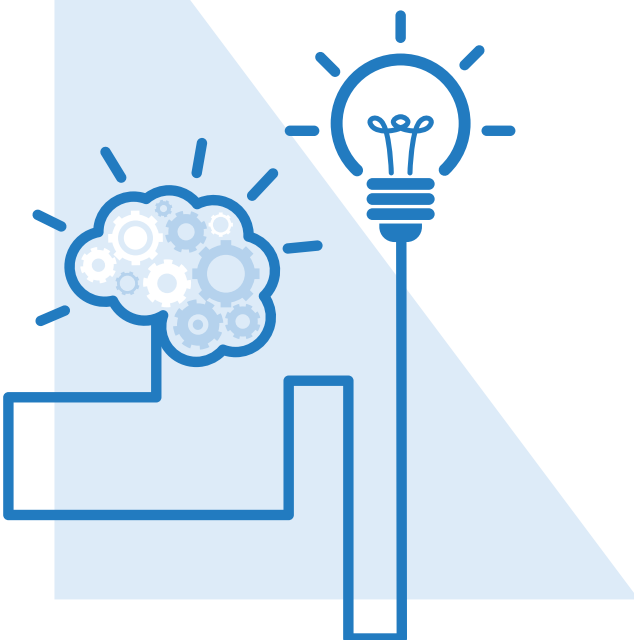
Final Thoughts

All in all, the past 20 years have been a success for Singapore’s asset management industry. The next 20 years will have its fair share of challenges, but with the right amount of forward-thinking, collaboration with regulators and industry players within and outside of Singapore, as well as a dose (or two) of good fortune, Singapore’s asset management industry is well placed.

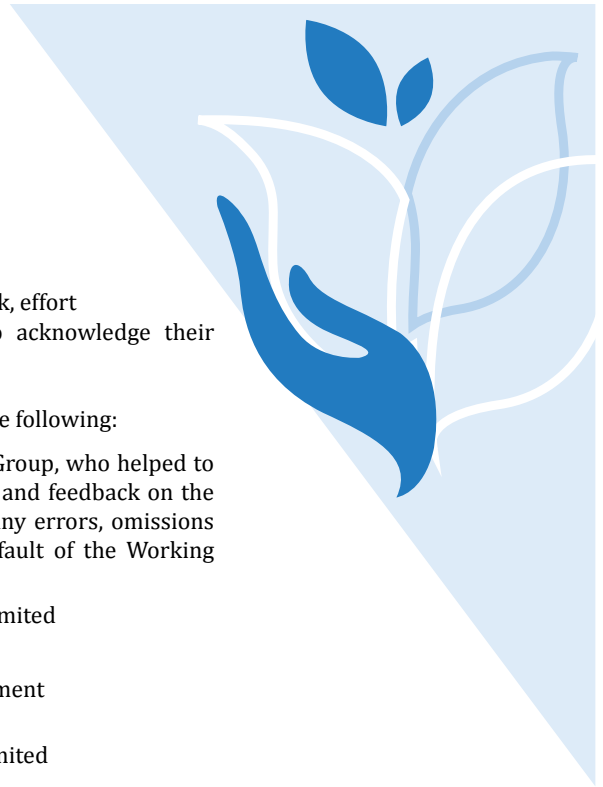
Survey participants spoke about innovation, the courage to take a stand for the greater good, and the need for Singapore to thrive and continue to punch above its weight. In addition to engagement with the global asset management community, looking out externally to create a more conducive environment domestically so as to strengthen the base of products and investors is equally important.

IMAS certainly has its work cut out, but if the last 20 years are any indication of future performance (unlike investment performance, of course), we believe the future looks bright. To paraphrase the words of one survey participant, “In the past 20 years, IMAS, the MAS and many others have built an enviable industry that has prided itself on integrity, quality and performance. The years ahead will continue to focus on these alongside greater transparency, lower costs and more attention to customers’ understanding of their investments. We have learnt over time that diversification is not straight forward, and so a set of more investor-centric products that can continue to deliver good performance, but in ways that really satisfy the needs of increasingly demanding clients is crucial to ensure that the asset management industry remains relevant. These factors, and many others, cannot be ignored if Singapore is to remain a preeminent asset management centre.”

So let’s go, Singapore and IMAS!



Acknowledgments



This report has been produced through the hard work, effort and dedication of many people, and we wish to acknowledge their contributions and patience.

In particular, we wish to give our sincere thanks to the following:

- Members of the IMAS 20th Anniversary Working Group, who helped to create the context of the report, provided inputs and feedback on the survey questions, and for reviewing the drafts (any errors, omissions and factual inaccuracies are absolutely not the fault of the Working Group!). These are:
 - Eleanor Seet, Nikko Asset Management Asia Limited
 - Kevin Hardy, BlackRock (Singapore) Limited
 - Rajeev De Mello, Schroder Investment Management (Singapore) Ltd
 - Rodney Lim, Nikko Asset Management Asia Limited
 - Justin Ong, PwC Singapore
- “Pioneers” of the industry who patiently took us through their history and outlook for Singapore; namely Daniel Chan, Siow Chai Sheng, Giri Mudeliar and Choo Wai Hong;
- Industry participants who took the time to complete the survey (we know it took more than 20 minutes!);
- Members of the PwC Asia-Pacific Asset & Wealth Management Research Centre;
Armin Choksey, Francesco Leone and Gita Advani; and
- A very special kudos to the IMAS team, for organising the 20th Anniversary celebration arrangements, putting together the video, creating the IMAS app and always taking on the administrative burden and stress with a smile – they are truly the unsung heroes. These are:
 - Michael Lim, Mike Seng, Juliet Lee, Phileas Sum and Eileen Low.

Congratulatory messages from other asset management associations globally

“Warm congratulations to Michael and the team at IMAS on its 20th Anniversary and very best wishes for the next twenty! We greatly value our co-operation with IMAS and industry participants in Singapore and look forward to furthering this in the interests of investors and our respective industries.”

– *Pat Lardner, Chief Executive, Irish Funds Association (IFA)*

“Asset management has been transformed over the last two decades: growing from a local to a truly global and connected industry. The ties between Singapore and Luxembourg, both dynamic international hubs, have gone from strength to strength. ALFI has had an excellent relationship with IMAS over the last 20 years and we are looking forward to continuing our open and fruitful dialogue. Congratulations from Luxembourg on your 20th anniversary!”

– *Denise Voss, Chairman, Association of the Luxembourg Fund Industry (ALFI)*

“On behalf of the HKIFA, I would like to convey my warmest congratulations to the IMAS on its 20th Anniversary celebration. The IMAS's efforts and achievements have greatly benefited the industry and our customers. I wish the IMAS with every success in the years ahead and we look forward to continuing the strong relationship between our organisations.”

– *Arthur Bacci, Chairman, Hong Kong Investment Funds Association (HKIFA)*

“The 20th Anniversary is the opportunity to reflect on the successful work done by IMAS to promote the industry and to set high standards of professionalism within it. The review by PwC is an example of how our industry, both in the UK and Singapore, cannot stand still. We will continue to strive to set and achieve high standards while both anticipating and meeting the needs of our customers for investing in their future. The Investment Association would like to extend its congratulations on IMAS's first two decades, and we hope our two organisations may be able to work together in the next 20 years to promote our important global industry.”

– *Chris Cummings, Chief Executive, The Investment Association UK (IA)*

“On behalf of JITA, I extend my heartfelt congratulations to the IMAS on its 20th Anniversary and the publication of this memorable report. For 20 years, the IMAS has been contributing to the sound development of Singaporean investment management industry and capital market, and also playing active and important roles in the international financial industry. I wish the IMAS, Michael and his colleagues, great success in the next 20 years and looking forward to strengthening our partnership and cooperation!”

– *Yoshio Okubo, Vice Chairman, Japan Investment Trusts Association (JITA)*

“Greetings from Association of Mutual Funds in India (AMFI)!!

On behalf of AMFI, I would like to convey my heartiest congratulations to IMAS and its entire team on the 20th Anniversary of IMAS. We greatly value our ties with IMAS being prominent members of International Investment Funds Association (IIFA) and Asia Oceania Investment Funds Association (AOIFA) and look forward to continuing the strong relationship and cooperation between our organisations. I wish the IMAS and yourself, great success and all the very best in the years ahead.”

– *Balkrishna Kini, Dy. Chief Executive, Association of Mutual Funds in India (AMFI)*

“On behalf of the Jersey Funds Association, congratulations to IMAS on its success over the last twenty years and very best wishes for a long and prosperous future. The growth of the asset management industry in Singapore is internationally recognised and the envy of many; you should be very proud of what you have achieved and very confident of the role you will play in the future.”

– *Mike Byrne, Chair of the Jersey Funds Association*

“In this 20 years, the Investment Management Association of Singapore (IMAS), has stood out as a collective voice of investment managers of Singapore. It has been two decades of leadership, years where challenges were renewed and the association consolidated itself as an important leadership forum in favour of the development of the investment management industry. For ANBIMA it is an honor to follow this trajectory through our joint work at IIFA.”

– *Tatiana Itikawa, Manager Brazilian Financial and Capital Markets Association*

