



Guest-of-Honour Speech by Tan Boon Gin, CEO of Singapore Exchange Regulation, at the inaugural REITAS Seminar on Rules and Ethics

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Good morning Mr Jerry Koh, REITAS Secretary and Deputy Managing Partner Allen & Gledhill, members of the association, ladies and gentlemen

1. I am heartened today to see so many of you at this first REITAS seminar on rules and ethics. Each and every one represents an industry that is very important to investors here and indeed elsewhere, given that Singapore is recognised as a global hub for REITs and business trusts.

2. I am reminded by a meeting a few years ago where media lamented to SGX and investment bankers that the IPOs then comprised mainly REITs. One banker then turned around and said: “That’s because we are now a global hub for REITs!” And so we are.

#### **Why REITs succeeded**

3. To what do we owe the success of the REITs? Remember that when it was first launched in 2001, the REIT structure was hailed as innovative but perhaps too new-fangled for retail investors.

4. I can think of two main reasons for the success of this industry.

5. First was of course the government tax incentive, or tax transparency, in the industry parlance. As a result, investors are able to earn a decent yield and REITs are able to pass on the tax savings to unitholders.

6. Second, the first REITs had the support of good sponsors, who injected accretive assets and real estate expertise. Indeed, the first REIT was our very own home grown CapitaMall Trust which, through dedicated engagement with institutional and retail investors, was four times oversubscribed at IPO with S\$1 billion worth of investment demand.[\[1\]](#)

7. These two factors went a long way towards overcoming the initial trepidation about the new structure and soon won over even the more risk-averse investors who were looking for steady income alongside potential capital gains.

8. Because the first REITs were of good-quality assets and run by reputable managers, the industry enjoyed a high level of trust which by and large, has remained intact. That confidence is further strengthened by the fact that REIT managers are closely supervised by the Monetary Authority of Singapore (MAS) and are subject to licensing requirements by the MAS.

9. As holders of the capital markets services licence, you are all therefore required to be up-to-speed with regulatory developments and expectations, to maintain the level of professionalism of the REIT sector. I believe that all of us here are convinced that ethics is necessary to preserve the trust that this

industry enjoys. Rules are necessarily slow to catch up with the infinite creativity of the human mind. While knowing the substantive rules will guide you most of the time, having a sense of duty to your investors is the true North that will guide you in doing the right thing at all times.

### **Maintaining trust**

10. If you recall, the confidence level was impacted a couple of years ago when the question of valuation for certain transactions by a REIT manager was questioned and hotly disputed by unitholders.

11. We at SGX then consulted market practitioners and partnered with the Singapore Institute of Surveyors and Valuers (SISV) to improve how real estate valuations were done, as well as disclosures on such valuations. Last June, the SISV launched its Guide to Valuations for IPOs and REITs for its members. SGX RegCo is now looking into incorporating the Guide into the Listing Rules.

12. We have also entered into an MOU with the Institute of Valuers and Appraisers, Singapore (IVAS) to tap on expert advice on matters related to business valuation. We hope to do the same with SISV. Just as we have referred errant individual professionals to industry bodies such as the Institute of Singapore Chartered Accountants, we also intend to engage with stakeholders to do the same for those in the valuation industry where shortcomings are found.

13. We would also like to see disclosure standards improve. There had been some disquiet over how certain data is being presented by REITs, for example rental reversions: what should be included or excluded from such calculations, and the consistency of methodologies. While there may not be uniform standards governing all aspects of disclosures, REIT managers and their advisors may want to bear in mind that market discipline will kick in and reputations may take a hit when disclosures are judged to be lacking, or even worse, numbers exaggerated, in any way.

14. Our listing rules are principles-based, which makes them less prescriptive on many fronts. REIT managers must therefore rely on a set of ethical principles and a holistic understanding of their responsibilities. It is noteworthy that the Securities and Futures Act has been amended to require REIT managers to put the best interest of unitholders over their own interest, and those of their shareholders. This statutory provision is a pithy expression of your fundamental duty.[\[2\]](#)

15. Finally, I would like to thank the industry for its 100% compliance rate with the sustainability reporting requirement. I recognise that many still view this rule as premature or presenting a further compliance burden for REIT managers. Nevertheless, I am confident that there will be payoffs in the form of even more investors, particularly large institutional investors, paying attention to the REITs listed here. We hope to demonstrate this concretely in the review of sustainability reports that we are planning to conduct later this year.

### **Conclusion**

16. On that note, thank you for having me here and I wish you an insightful seminar today.

[1] See, <https://www.dbs.com/livemore/getting-singapores-first-reit-on-the-market-we-felt-we-needed-to-do-this-for-singapore.html>.

[2] Section 286(10A) of the Securities and Futures Act (Chapter 289 of Singapore).