

## **Keynote speech by Tan Boon Gin, CEO of Singapore Exchange Regulation (SGX RegCo), at the REIT Association of Singapore Annual Conference 2025**

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Good morning distinguished guests, members of the REIT Association of Singapore, and colleagues.

The Equities Market Review Group, value unlocking initiatives and climate reporting have been in the news recently. Which is why I thought it might be useful to cover these issues in this morning's speech.

### **Moving towards a more disclosure-based regime**

First, the Equities Market Review Group and in particular, the proposed shift towards a more disclosure-based regime.

You may ask: Aren't we already disclosure-based? True, we profess to be a disclosure-based regime. In reality, we have what I would call a disclosure plus regime. The difference is this: In a disclosure-based regime, the focus is on making sure risks are disclosed so investors make informed decisions. Disclosure plus, on the other hand, is where the regulator prescribes the measures to be put in place to mitigate the risks to protect investors.

What has happened over time is that the whole regime, this disclosure-plus regime, became overly prescriptive.

One example of this is how we have been prescribing the use of rights of first refusal (ROFRs) to resolve conflicts of interest for IPOs. There have been calls for us to allow companies to propose their own solutions and to focus on the adequacy of the disclosure of the measures taken to resolve the conflict and leave it to the market to decide whether to clear the IPO, rather than be so prescriptive.

Interestingly, the calls to be less prescriptive about the use of ROFRs do not extend to REITs. Conflicts of interest are inherent in every REIT structure, as the REIT sponsor may own properties or come across new properties that fall within the investment mandate of the REIT. Our current approach is to prescribe that conflicts be resolved by giving the REIT the first right of refusal where a sponsor has a property to offer.

What we hear is that rather than being seen as overly prescriptive, the ROFR has its virtues when it comes to REITs. First, it gives confidence that the interests of our REITs will always be prioritised. Second, the ROFR is also attractive to investors because the REIT is assured of a pipeline of properties from the sponsor. In short, the ROFR is a feature of our REIT framework

that has made it successful. So, there is a concern about killing the golden goose, in this case the ROFR, which has become a competitive advantage of the REIT framework. This is a reminder that maybe we shouldn't and won't compromise our competitive advantages even as we move towards a more disclosure-based regime.

### **REITs too have embraced “value unlock” approach**

A second point on the EMRG I would like to highlight, this time on the enterprise side, is the government's announcement of the injection of public monies into the market through the Equities Market Development Program. What is striking about the announcement is that we, as in Singapore, have never had a culture of public pension funds investing in our market at the institutional level. Unlike in Malaysia or Australia, this injection of public monies at the government level is a new thing for us.

I would like to highlight three things to note about this deployment. The public monies will be given to external fund managers who are also expected to crowd in private capital, so the total will be a multiple of the public monies committed. There will be a focus on mid and small cap companies. And this is via active stock picking, so it is not just passive but active trading. So in other words, there is going to be more institutional participation in the market and more institutional participation in the mid- to small-cap companies' space.

When I spoke to my Japanese counterparts previously, I complimented them on the success of their “value up” initiatives that have seen Japanese companies unlock value for shareholders and seen the Japanese market perform very well. The Japanese reminded me it had all started with the Government Pension Investment Fund, or GPIF, investing in their market many years ago. External fund managers were entrusted with the public monies. They started engaging the companies they were investing in, pushing them to perform better and do more for shareholders. The market in turn rewarded the companies that responded by increasing the share price.

I believe this is what we have been missing in our market: market discipline imposed by institutional investors. Hopefully, in the same way, the external fund managers entrusted with our public monies will be good stewards and push companies to do better, and companies that have this money invested in them and with the stewardship provided by the fund managers, will feel the responsibility and be equipped to do more.

We are heartened to see the message of unlocking value for shareholders or unitholders has been carried through and put into practice by several listed companies including REITs. In particular, I want to highlight two examples of the “value unlock” approach within the REIT sector.

The first phenomenon that we are seeing is where a real estate company sponsors the establishment of a REIT and injects its real estate properties into this REIT, which is to be listed on the Exchange. Such an initiative brings about a series of benefits to the sponsor and ultimately the shareholders and unitholders.

At the sponsor level, divestment of the properties into the REIT allows it to unlock the market value of the real estate properties, reduce its gearing, recycle capital and free up debt headroom for growth. The sponsor also generates an additional income stream through rendering management services to the REIT.

To further reward its shareholders, the sponsor declares a dividend-in-species by distributing units in the REIT to its shareholders. Shareholders will now hold an interest in two separate listed vehicles, thereby gaining more optionality and liquidity, with the REIT providing regular distributions. We are also seeing new asset classes being injected into REIT. The assets – if novel from the S-REIT perspective - will add diversity to our REIT sector, and provide additional interesting investment choices to investors. This in turn will heighten the attractiveness of our REIT sector.

Another development that I thought worth highlighting is the recent transformation of a REIT to a stapled security combining the REIT and a Business Trust. While such a stapled REIT-BT entity is not unprecedented in the Singapore context, it is more common in markets such as in the US and Australia. The structure has inherent advantages over a “vanilla” REIT structure. For example, a REIT can’t derive more than 10% of its revenue from sources other than passive income sources. However, the stapled entity can do so through its Business Trust component. Similarly, the BT component can take on more leverage as it is not subject to the 50% aggregate leverage limit of a REIT in Singapore. The extra activities that a stapled REIT-BT entity takes on also mean potential for growth more than the passive returns of just the REIT alone.

This is a work around the REIT framework. In the spirit of “value unlock”, should Singapore’s REIT framework itself be modified to inherently accommodate the ability to take on some of the benefits provided by a BT? I am sure some of you are already planning to discuss this new REIT-BT stapled structure and I look forward to hearing more about what you as market practitioners have to say.

### **What investors want**

Last Friday, Minister for National Development, and Deputy Chairman of the Monetary Authority of Singapore, Chee Hong Tat, spoke at length about upcoming Equities Market Review Group measures. Among the issues he covered was companies’ engagement with investors. In Minister Chee’s words: “...listed companies will need to put themselves forward.” This includes helping

investors understand the company's capital management, engagement practices, and how management will deliver shareholder value.

In particular, he listed dividend and investor relations policies as two matters of interest to investors. REITs are perhaps one step ahead in terms of the former as REITs must distribute at least 90% of taxable income to enjoy tax transparency. Still, even for REITs, there is room for improvement in respect of how often and how much you engage with your investors. Which is why SGX RegCo will soon consult the market on putting into the Listing Rules disclosure requirements on dividend and investor relations policies and how remuneration should be tied to shareholder value creation.

Now these are currently found in the Code of Corporate Governance but as these are currently CG Code provisions, they apply on a "comply or explain" basis and haven't been as widely embraced as we and, I'm sure, investors would like. For REITs, this could revive the debate over whether sponsor fees should be linked to Deposited Property Value, Net Property Income (NPI) or Distribution Per Unit (DPU), with the latter arguably being what most unitholders are likely to equate with value creation.

## **Climate reporting**

Another area that is likely to be brought up later today is climate reporting. As you would recall, we announced in August extensions of timelines for climate reporting for most of our listed companies beyond the disclosures of Scope 1 and Scope 2 greenhouse gas emissions. REITAS has on its website a white paper on "S-REITs: Climate Disclosures and Inclusion in ESG-Related Equity Indexes." The paper states upfront that REITs have, and I quote, "a strong business case for best-in-class climate performance and transparency." The paper goes on to say that many S-REITs are ahead of the climate reporting curve.

Still, I thought it important to mention two points here regarding the extension of timelines of climate reporting that will apply to the majority of REITs.

First, we want to see REITs and indeed all listed companies, progressing with their climate reporting. We are moving on from the TCFD recommendations towards the ISSB standards, and I want this to be clear to issuers because a number of issuers including a number of REIT managers have asked us about this. As we stated in our Practice Note on Sustainability Reporting [1], issuers are expected to build on existing climate-related disclosures and demonstrate progress towards incorporating the ISSB standards.

Second, to ensure that issuers DO progress, we intend to set out a timetable of our expectations for the reporting to be done. The time extensions were given to allow issuers to progressively

build up their capabilities so that they can produce quality and accurate reports when the time comes, not lay down their tools and take a break.

The ISSB standards are undoubtedly challenging. They are a steep step-up in some instances from the TCFD recommendations, which the smaller issuers were already struggling with. We realized this when we saw the quality of the disclosures during our review of climate reports. Our subsequent engagements with them confirmed that they would benefit from more time, to learn from the first wave of reports produced by the bigger issuers and to build capacity using grants from Enterprise Singapore and SkillsFuture.

Therefore, we thought it useful to break down the climate disclosure requirements and show how our listed companies can progressively meet these requirements over the extended timelines. The biggest challenges are climate scenario analysis, anticipated financial effects and climate-related risks and opportunities that arise in their value chain. The timetable will show how we will work with our industry partners, like ISCA, to equip our issuers with the necessary skills to tackle each challenge one by one, so that they can build block by block towards a quality report. You can expect more details of the timetable in the next few weeks.

## **Conclusion**

In conclusion, let me say how heartened I am to see the many positive developments in the REIT sector. I look forward to more innovation and value unlocking efforts. There are positive sentiments and momentum in the market, and our REITs should take full advantage of them.

As regulators, we are always open to feedback and suggestions. We are launching several public consultations in the next few months related to the Equities Market Review Group initiatives and look forward to your responses. Cheng Khai from MAS is here and I am sure you are eager to hear from him. So, on that note, I wish you a fruitful session ahead.

Thank you.