

Benchmarking international financial reporting standards for Singapore authorised collective investment schemes to benefit managers and investors

The Monetary Authority of Singapore (“**MAS**”) had issued a consultation paper on 15 August 2024 (“**Consultation Paper**”) to phase out the Statement of Recommended Accounting Practice 7: Reporting Framework for Investment Funds (“**RAP 7**”), in favour of the more internationally recognised Singapore Financial Reporting Standards (International) (“**SFRS(I)**”), in respect of collective investment schemes authorised by the MAS under the Securities and Futures Act 2001 of Singapore (“**Authorised Schemes**”) (including real estate investment trusts (“**REITs**”).

Here are some key points from the Consultation Paper that we would like to share with you:

Introduction

The proposed amendments under the Consultation Paper seek to implement the following:

- (a) Authorised Schemes (including REITs) to prepare their financial statements in accordance with SFRS(I);
- (b) Allowing REITs which derive their income mostly or exclusively from outside Singapore and have previously applied to MAS to prepare their financial statements in accordance with the International Financial Reporting Standards (“**IFRS**”) to be exempted from the above;
- (c) Allowing new REITs with foreign sponsors and/or subsidiaries seeking to list on the Singapore Exchange to prepare their financial statements in accordance with IFRS if their foreign sponsors and/or subsidiaries have been doing the same; and
- (d) Mandating the disclosure of certain information required under RAP 7 in the financial reports of Authorised Schemes notwithstanding the shift to SFRS(I) as such information are useful to fund investors.

Benefits of the Proposed Amendment

The key benefits of the proposed amendments under the Consultation Paper for global investors and managers of Authorised Schemes are as follows:

(a) Satisfying and meeting the needs of global investors:

-The proposed amendments allow Authorised Schemes to be better and more easily understood by global investors who may be more familiar with IFRS-identical standards adopted by funds in other major fund jurisdictions (such as Luxembourg, Ireland and Hong Kong).

(b) Streamlining of operations for managers of Authorised Schemes:

-Managers of Authorised Schemes which also offer international funds can explicitly and unreservedly state that they are compliant with IFRS, which should provide cost savings.

-For managers that exclusively manage Authorised Schemes, the alignment with international standards would promote better comparability of Authorised Schemes' financial statements with those of other major fund jurisdictions. This should provide meaningful comparison and benchmarking.

Timeline

The MAS is proposing to require Authorised Schemes (including REITs) to comply with the proposed amendments with effect from the financial year ending on or after 31 December 2027.

Conclusion

The proposed amendments are further steps taken by the MAS to refine and improve the funds ecosystem. As noted above, these amendments are pro-managers and pro-investors. They also indicate a willingness by the MAS to adopt best practices and put forth its own ideas in the constant evolution of our funds ecosystem.

GATEWAY_{LAW CORPORATION}

Advocates and Solicitors | Notary Public | Commissioners for Oaths
Patent, Design and Trade Mark Agents

3 Anson Road
#24-02 Springleaf Tower
Singapore 079909
Telephone: (65) 62216360
Facsimile: (65) 66216375

Should you have any queries as to how this update may affect you or your organisation or require further information, please do not hesitate to email us.



Ng Aik Kai
Counsel
Gateway Law Corporation

Email: aikkai.ng@gateway-law.com

This article is intended to discuss how the benchmarking of international financial reporting standards for Singapore's authorised collective investment schemes can benefit managers and investors, and it is not intended to be comprehensive, nor should it be construed as legal advice. This article is updated as of 10 September 2024.

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