

MAS Green Bond Grant Scheme

Often referred to as “a city within a garden”, Singapore has a proud tradition of forging ahead with “green” policies¹. Launched by the Monetary Authority of Singapore (MAS) in June 2017, the Green Bond Grant Scheme (**the Scheme**) continues this tradition, aiming to nurture the growth of the green bond market and place Singapore at the forefront of this growing asset class.

Recognizing that bond issuers will incur additional costs in the issuance of green bonds – over and above the costs customarily incurred in the issuance of conventional bonds – the purpose of the Scheme is to assist issuers that are eligible for a grant under the Scheme (**Qualifying Issuers**) with the costs incurred in obtaining an external review of the bonds being issued (**Eligible Expenses**). Such review is necessary in order to ascertain whether the bonds, as assessed against internationally recognized criteria, truly are green in nature.

In order to take advantage of the Scheme, proceeds of bonds issued by Qualifying Issuers must be used to fund projects that deliver environmental benefits. In addition, the bonds must also meet certain key criteria (**Qualifying Criteria**) as prescribed by the MAS.

What is a Qualifying Issuer?

The criteria to be met in order to be designated a Qualifying Issuer for the purposes of the Scheme are not unduly onerous and reflect the MAS’s intention to attract a wide range of international and domestic issuers to the Singapore market. An issuer satisfies the Qualifying Issuer test if it is a corporate entity or financial institution issuing green bonds, the only restriction being that sovereign issuers will not qualify. Applications may be made on behalf of first time or repeat issuers and may also be made multiple times on behalf of the same issuer, provided that each application relates to a different green bond issuance.

What are the Qualifying Criteria?

Aside from the requirement that the bonds issued are properly categorized as green bonds for the purposes of the Scheme, in order for a Qualifying Issuer to benefit from the Scheme, a number of other key criteria must be met, including the following:

- the bonds must be issued in Singapore and listed on the Singaporean stock exchange (the **SGX**); the issuer itself need not be a Singapore company;
- the principal amount of the issue must be at least S\$200m (or the equivalent in any other currency);
- the tenor of the bonds must be at least three years and, with limited exceptions, the bonds must be non-redeemable during such three year period;
- the bonds must be a qualifying debt security under Singapore’s Income Tax (Qualifying Debt Securities) Regulations (**ITR**);
- the lead manager must be a Financial Sector Incentive (**FSI**) company in Singapore²;
- more than half of the gross revenue earned for work undertaken in arranging the issuance of the bonds, must be attributable to a FSI³; and
- an independent external review or rating, based on internationally recognized green bond standards, must be performed.

1 <http://www.mas.gov.sg/News-and-Publications/Speeches-and-Monetary-Policy-Statements/Speeches/2017/Speech-by-Mr-Lawrence-Wong-at-the-G20-Green-Finance-Conference.aspx>

2 ITR Clause 4 (Arrangements for qualifying debt securities)

3 An overview of the Financial Sector Incentive Scheme may be found at <http://www.mas.gov.sg/Singapore-Financial-Centre/Value-Propositions/Financial-Sector-Incentive-Scheme.aspx>



What are Eligible Expenses?

In order for an issuance of bonds to be classified as green, a Qualifying Issuer will be required to appoint an external reviewer to provide an independent assessment, based upon internationally recognized green bond standards, such as the International Capital Market Association's Green Bond Principles (**GBP**)⁴, the Climate Bond Standard⁵, published by the Climate Bonds Initiative, or the ASEAN Green Bond Standards⁶, published by the ASEAN Capital Markets Forum and based upon the GBP.

The external reviewer will provide an independent assessment of the bond's green credentials and in doing so will look at the following criteria:

- use of the proceeds of the bond issuance;
- the processes to be used by the issuer to evaluate and select green projects;
- the issuer's processes for managing and tracking the use of the bond proceeds;
- the framework established by the issuer for reporting details of the projects (funded by the bond proceeds) to investors.

Under the Scheme, 100% of any costs incurred by an issuer in relation to the external reviewer's provision of an independent assessment will be reimbursable, subject to a cap of S\$100,000. Although only one application, per issuance, may be made for a grant under the Scheme, multiple applications on behalf of the same issuer are permitted, provided each application relates to a different issuance.

⁴ <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/GreenBondsBrochure-JUNE2017.pdf>

⁵ [https://www.climatebonds.net/files/files/Climate%20Bonds%20Standard%20v2_0%20-%202022Dec2015%20\(1\).pdf](https://www.climatebonds.net/files/files/Climate%20Bonds%20Standard%20v2_0%20-%202022Dec2015%20(1).pdf)

⁶ http://www.theacmf.org/ACMF/upload/ASEAN_Green_Bond_Standards.pdf

What is the process for applying?

Although an application for a grant under the Scheme may only be made after the bonds have been issued, issuers that intend to issue green bonds and make an application under the Scheme should be aware that the following criteria will need to have been met at the time an application for a grant is made. Issuers are therefore encouraged to seek the advice of their external advisers at the pre-issuance stage of any proposed green bond issuance.

A lead manager, which must be an FSI company in Singapore, must be appointed by the issuer to perform due diligence on the proposed bond issue, in order to ascertain the eligibility of the bond for the Scheme.

Post-issuance, the lead manager, assisted by its external advisers, is the party that will submit a completed application form (along with relevant invoices for the reimbursement of Eligible Expenses) to the MAS, on behalf of the issuer. The application must be submitted within three months of the issue date of the bonds in order to be considered.

Summary

The implementation of the Scheme highlights the strategic focus of the MAS to promote sustainable financing in Singapore's financial sector and attract both international and domestic issuers to issue their bonds in Singapore and list them on the SGX. Although it is too early to determine what impact the Scheme will have in increasing Singapore's share of the global green bond market, with investor interest in this asset class continuing to grow, the introduction of the Scheme looks set to increase Singapore's competitiveness in the sustainable investment arena.

The Scheme is set to run for three years, from 1 June 2017 to 31 May 2020.

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