State capital as anchor of the financial centre

Dr Alexander Ressos, TEP
Attorney-at-Law (Switzerland and Germany),
Solicitor (England & Wales and Hong Kong)
Of Counsel, KGP Legal LLC
alexander.ressos@kgplegal.com.sg
www.ressos.com.sg

Outplacement mandates and the growth of asset management

The most direct contribution of state capital to the financial centre has been through mandates to external managers. After the Asian financial crisis the government decided to use public funds to build up the asset management industry, as part of the reform programme examined in Chapter D.IV. In February 1998 GIC announced that it would place an additional S$25 billion with external fund managers over three years. Deputy Prime Minister Lee Hsien Loong, who chaired the Monetary Authority at the time, later reported to Parliament on the programme. In November 1998 the Monetary Authority added S$10 billion over three years, for managers with a proven track record who showed commitment to developing the industry in Singapore. The condition was that the managers have offices in Singapore. By the end of 1998 GIC had placed out S$16.9 billion. The government stated openly that the outplacement of public funds was "part of the Government's effort to develop Singapore into a premier asset management hub". The mandates gave international

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managers a reason to open or expand offices in Singapore, to hire portfolio managers locally and to build research teams there. Chapter E.V follows the later growth of the industry and its licensing regime.[1]

The same instrument returned in 2025. Following the recommendations of the Equities Market Review Group set up by the Monetary Authority in 2024, the government announced in February 2025 an Equity Market Development Programme of S$5 billion to be placed with fund managers investing in Singapore's stock market. On 21 July 2025 the Monetary Authority named the first three managers, who received S$1.1 billion: Fullerton Fund Management, a Temasek company, Avanda Investment Management and J.P. Morgan Asset Management.[2] Here state capital was used once again as seed money for the market.

Anchor shareholders: DBS and the Singapore Exchange

State capital also anchors the ownership of key financial institutions. Temasek is the largest shareholder of DBS Group Holdings, which began as the Development Bank of Singapore in Temasek's initial portfolio. At 10 February 2026 Temasek held, directly and through Maju Holdings and other subsidiaries, 28.30 per cent of the bank's ordinary shares.[3] The stake gives the bank a stable core shareholder, which has supported its credit ratings and its ability to raise capital. Temasek does not direct the bank's business. Like any other bank, DBS is supervised by the Monetary Authority. The relationship between the local banks and the state is examined further in Chapter D.IV.

The Singapore Exchange has a different arrangement. When the Stock Exchange of Singapore and SIMEX were demutualised and merged in 1999, as Chapter D.II explains, the exchange's shares issued in the merger were allotted to SEL Holdings, a special purpose company designated by the Minister. SEL Holdings holds them for the benefit of the Financial Sector Development Fund, which the Monetary Authority controls and administers under section 127 of the Monetary Authority of Singapore Act. Under amendments introduced in 2021, SEL Holdings may not exercise the voting rights attached to new shares, so that it does not interfere with

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the exchange's business decisions. The restriction also mitigates the conflict that arises because the Monetary Authority both administers the Fund and regulates the exchange.[4]

Platforms and retail products

Temasek has created its own asset management platforms, which form part of the domestic industry. In October 2020 it announced the creation of Seviora Holdings, which grouped four managers with combined assets of more than S$75 billion: Azalea Investment Management, Seatown Holdings International, Fullerton Fund Management and InnoVen Capital.[5] These firms compete with private managers for third-party mandates while drawing on Temasek's networks and reputation.

Azalea illustrates how state capital can widen access to asset classes normally reserved for institutions. In June 2018 its Astrea IV bonds, backed by a portfolio of private equity funds, were listed on the Singapore Exchange with a public offer tranche of S$121 million. The exchange described them as the first such structure in Singapore in which retail investors could subscribe for private equity bonds.[6] Later Astrea issues followed the same pattern. They gave the domestic bond market a product that private issuers had not offered.

Crisis capacity and credibility

The reserves give Singapore a capacity to act in a crisis that few financial centres possess. The deposit guarantee of 2008 and the drawings of 2009 and 2020 to 2022 show that the state can support the banking system and the economy without borrowing. That capacity is reflected in the AAA ratings that the main agencies assign to Singapore. It also supports confidence in the Singapore dollar, which the Monetary Authority manages within a policy band. A financial centre whose government has net assets on this scale offers foreign banks and investors a degree of security that a centre dependent on borrowing cannot match.

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The reserves also give Singapore influence. GIC and Temasek are among the largest clients of global banks, private equity firms and asset managers. Their presence attracts those firms to Singapore and brings the city into the networks of global capital at the highest level. The flow runs in both directions. Global managers open offices in Singapore partly to be close to these clients, who in turn use those managers to reach markets they could not access on their own.

The dominance of state capital also has costs. A financial centre in which two state investors and the CPF hold a large share of national savings leaves less room for private pension funds and life insurers. Domestic capital markets may be thinner than the size of the economy suggests. The equity market programme of 2025 was itself a response to concerns about the liquidity and valuation of the Singapore stock market. Critics have also noted that the government-linked companies in Temasek's portfolio occupy a large share of the domestic economy, which can crowd out private firms. The relationship between state capital and the markets is therefore one of support and dependence at the same time.

Notes

1. Monetary Authority of Singapore, media release "MAS to Place Out S$10bn to Private Sector Fund Managers as Part of Drive to Develop Singapore's Financial Sector", 13 November 1998: GIC's announcement of February 1998 of an additional S$25 billion over three years; mandates of S$6.5 billion granted from January to September 1998. Monetary Authority of Singapore, reply by Deputy Prime Minister Lee Hsien Loong to a parliamentary question on progress in engaging private fund managers to manage public funds, 11 February 1999: GIC's S$25 billion to "external fund managers who have offices in Singapore"; S$16.9 billion placed by end-1998; MAS's S$10 billion announced in November 1998. Monetary Authority of Singapore, reply of 11 February 1999, para 1. ↩
2. "Singapore picks Fullerton, Avanda and J.P. Morgan for part of S$5 billion equity mandate", *Asia Asset Management*, 22 July 2025: programme of S$5 billion announced in February; S$1.1 billion to the first three managers named

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on 21 July; Fullerton a unit of Temasek; the Equities Market Review Group set up by MAS the previous year proposed the programme. ↩

3. DBS Group Holdings Ltd, *Annual Report 2025*, "Shareholding statistics as at 10 February 2026": Temasek Holdings (Private) Limited, direct interest 312,559,831 shares, deemed interest 490,413,019 shares, total 802,972,850 shares, 28.30 per cent; Maju Holdings 17.08 per cent; about 71.58 per cent held by the public. ↩

4. Monetary Authority of Singapore, "Explanatory Brief for Exchanges (Demutualisation and Merger) (Amendment) Bill", 4 October 2021: SEL Holdings Pte Ltd designated as special purpose company under the Exchanges (Demutualisation and Merger) Act 1999; holds SGX shares for the benefit of the Financial Sector Development Fund established under section 127 of the MAS Act; objects of the Fund include promoting Singapore as a financial centre. Monetary Authority of Singapore, "Explanatory Brief for Exchanges (Demutualisation and Merger) (Amendment) Bill", 4 October 2021: SEL shall not exercise or control the votes attached to the new SGX shares, to avoid impinging on SGX's business decisions and to mitigate conflicts of interest. ↩

5. "Singapore's Temasek to house four firms under new S$75 billion asset manager", *Asia Asset Management*, 8 October 2020: Seviora Holdings announced on 6 October 2020; Azalea and Seatown wholly owned by Temasek; Fullerton and InnoVen affiliated; combined assets of more than S$75 billion. ↩

6. "SGX welcomes Astrea IV private equity bond retail offering", Mondo Visione, 18 June 2018: Class A-1 bonds of S$242 million at 4.35 per cent, of which S$121 million offered to the public; "the first such structure in Singapore for retail investors to subscribe to PE bonds"; Azalea an indirect wholly owned subsidiary of Temasek. ↩

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Author contact: Dr Alexander Ressos, TEP · contact@ressos.com