Sustainable Finance and Carbon Markets: practical consequences

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For financial institutions

For banks, insurers and asset managers in Singapore, sustainable finance has become a matter of risk management and conduct, and only in the second place a business opportunity. The environmental risk and transition planning guidelines are supervisory expectations against which MAS assesses governance. The retail fund rules apply to every product marketed as sustainable. The taxonomy and the disclosure rules determine which claims can be supported. Institutions with regional books must reconcile the Singapore taxonomy with the classifications of the European Union, China and the ASEAN framework.

For family offices and wealth clients

For family offices, examined in Chapter E.III, and for private clients, the effects are indirect. Family offices that invest in sustainable funds or impact strategies need documentation that the claims made to them are verifiable. Those that hold industrial or real estate assets in Asia may find that their banks request transition

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plans before lending. The blended finance vehicles of FAST-P also open a field in which families and foundations can contribute concessional capital alongside the state and development banks.

Before launching, marketing or investing in a product described as green, sustainable or transition-aligned in Singapore, an institution or adviser should be able to answer the following questions:

- Is the product's classification supported by the Singapore-Asia Taxonomy, the ASEAN Taxonomy or another recognised taxonomy, and is the classification documented?
- For a retail fund: do the name, the prospectus and the annual report meet the requirements of MAS Circular CFC 02/2022 and the information paper on good disclosure practices?
- For a transition instrument: is there a credible entity-level transition plan with interim targets, and who verifies it?
- Are the ESG ratings and data used in marketing supplied by providers that have adopted the MAS code of conduct, and are their limits disclosed?
- Does the marketing material match the internal investment and risk processes, and has compliance tested that match?
- Which foreign rules apply because of the location of clients, distributors or the parent company, and are they stricter than Singapore's?
- For carbon credits: are they authorised under Article 6 with a corresponding adjustment, or are they voluntary credits whose quality depends on a standard and a rating?
- Are the board and senior management involved in the climate governance required by the environmental risk management guidelines?

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