Key takeaways from AIMA's Singapore Annual Forum 2022

After a two-year hiatus due to COVID-19, the AIMA Singapore Annual Forum was back in person in April, offering a full day of panels and (socially distanced) networking. In true Singaporean fashion, delegates received a warm welcome in every sense of the word, and even an early morning monsoon was unable to dampen delegates' spirits as estranged colleagues and friends reconnected after lengthy stints working remotely and through lockdowns and travel bans.
The high attendance was a testament to peoples' enthusiasm to get back into the world, with AIMA's flagship Singapore event offering one of the first opportunities to do so since the relaxation of COVID rules in March.

The forum took on the ambitious task of encapsulation several eventful years for the alternative investment industry into a single day of panels, led by co-hosts Natalie Curtis, partner at Herbert Smith Freehills, and Thomas Scott-Barton, COO at Trovio Group, who gamely co-hosted the day's agenda.

The conference, unsurprisingly, delivered a bounty of insightful discussions and nuggets of wisdom which have been distilled here into five key takeaways.

The focuses of the day were partly guided by AIMA's close working relationships with regulators, including the Monetary Authority of Singapore (MAS), and other trade bodies across APAC. As was noted in the opening address, AIMA's team in APAC were quick to adapt to operating in a virtual environment and maintained its output of thought leadership and advocacy efforts on behalf of members. Some of these tools will be retained as they offer an additional option for our events going forward.

As always, the day was only possible thanks to AIMA's member sponsors, along with the many panellists, moderators, event coordinators, and many others who volunteered their time. Our sincere thanks to you all for bringing the AIMA APAC family back together.

We hope to see you all again soon next year, or at our other regional events scheduled for later this year.

1. Singapore is a talent magnet

You did not have to attend AIMA's event to know that Singapore has long boasted a reputation as a regional powerhouse of financial and technology top talent. But as we emerge from the pandemic (hopefully for good this time) the eyes of the world are carefully watching how the various regional financial hubs are approaching the process, with major implications for future investment decisions on where to base key personnel. Singapore has so far been praised for its pragmatic approach to allowing business to continue where possible throughout the pandemic and has recently made clear its intention to work with its key industries to ensure disruption is minimised. This has not gone unnoticed by decision-makers in other regional hubs that are being less forthcoming and the flows of top talent across the region appear to be all pointed at the city nation.

The proactive strategy of attracting top talent was encapsulated by Lim Cheng Khai, Executive Director (Financial Markets Development) at MAS, who used his opening remarks at the forum to outline the regulator's approach to supporting firms in bringing in global talent with complementary skills and upskilling our local talent pool to support its ambitions for making Singapore a global leader in several key areas including ESG and digital assets. These are discussed in more detail below.

2. Private credit is a rich growth opportunity in APAC

Less predictable than a focus on ESG or digital assets was the frequent reference throughout the day to the rich and largely untapped vein that is private credit in Singapore. Cheng Khai cited two areas of great opportunities: blockchain and the tokenisation of assets, and private credit. He pointed to the global phenomenon of SMEs requiring alternative sources of liquidity as traditional financing sources scale back and restructuring needs to be increased during the pandemic. "Singapore aims to be a full-spectrum private markets hub," he told delegates. This view was echoed during the investor panel, where speakers spoke of their interest in gaining exposure to private credit and trade finance markets.

The topic was addressed most thoroughly in the dedicated private credit panel, where a sober appraisal was given the challenges that private credit dealmakers face in APAC.

The region is fractured and sourcing and closing on cross-border financing deals is complex, especially in virgin territory for pitching alternative financing, they explained. However, others predicted that the full effects of the COVID-19 pandemic are yet to be realised and demand for distressed debt, for example, will spike.

On the manager side, panellists agreed that the opportunities in private markets will entice traditional hedge funds into launching products in the space, with hybrid strategies that offer exposure to both public and private markets expected to become much more common in the years ahead.

3. VCC is good VCC 2.0 will be better

The Variable Capital Company (VCC) investment fund structure was launched in January 2020 and has been widely hailed as a success in making Singapore more competitive as a fund domicile. More than 300 asset managers (including 40-odd hedge fund managers) have adopted the structure with over 500 VCCs set up since its launch. For all the reasons stated throughout this article, there is a strong flow of capital into Singapore and the VCC structure aims to make sure it stays there, as opposed to Cayman or Hong Kong.

AIMA, and its members, worked closely with MAS in the development of the VCC structure and continue to coordinate with regulators on the enhancement of the VCC framework, dubbed VCC 2.0, to consider regulatory safeguards to allow non-regulated entities such as single-family offices to use VCC and to provide feedback on the usage of another price other than NAV in certain circumstances to facilitate operations of illiquid assets.

Panellists speculated how the VCC structure changed the proposition of Singapore as a fund domicile compared to popular offshore alternatives, but the consensus was that it seeks to service a different area of the market than Cayman and is not a direct competitor. That said, as the global alternative investment market becomes more comfortable with the VCC structure then it was predicted that the flow of fund formations in Singapore will undoubtedly increase.

AIMA's involvement in the launch of the VCC includes:

- *Proactively partnering with the MAS and providing the industry's perspectives across a range of issues publicly and privately. AIMA also hosted the MAS on VCC roadshows around the world.*

- *A suite of industry-standard forms and guidance notes was produced by the Singapore Academy of Law and many of the firms involved are members of our AIMA committee.*

- *AIMA further encouraged MAS to use real money to drive VCC adoption and collected cos-of-setup data for the MAS.*

- *The final VCC grant scheme provides 70% co-funding of qualifying formation expenses, capped at S$150,000 (US$114,000) per VCC to cover legal services, tax services, administration or regulatory compliance services associated with setting up a VCC. Every manager can get three grants each of 150K. This model was subsequently copied by Hong Kong for Open-ended Fund Structure 2.0.*

4. Singapore aims to follow the EU's example with ESG rules

Panellists noted the EU has paved the way in sustainable finance regulatory frameworks, and Singapore plans to follow suit. As is the case globally, ESG adoption in APAC is held back by a lack of data, regulatory consistency, and transparency. Speakers encouraged Singapore's regulators and policymakers to take a leading role in the region's development of responsible investing and ESG.

To achieve Singapore's sustainable finance hub aspirations, MAS says it will work with the industry to 'size up' sustainable job demands, skills and knowledge gaps. The Institute of Banking and Finance in Singapore and MAS launched the Sustainable Finance Technical Skills and Competencies to help empower individuals to perform various roles in sustainable finance and will look to develop career conversion programmes to support mid-career individuals to upskill in sustainable finance.

5. "Huge" opportunities in digital assets

MAS' Cheng Khai outlined the regulator's aim to embrace the potential of blockchain technology and the tokenisation of traditional assets, stating the growth opportunity is "huge". He highlighted the benefits and risks of tokenisations and encouraged asset managers to adopt this technology in a responsible manner that protects the interests of investors.

The digital assets panel that followed embellished this point by explaining to attendees that from a fund or product formation process, gaining exposure to digital assets was less complex and different than many initially think. Although cryptocurrencies were described by multiple speakers as still being a risky asset class, both retail and institutional investors — even conservative pension funds and sovereign wealth funds — are becoming comfortable with the concept and are exploring the space. Moreover, panellists agreed that the unprecedented growth of the sector is attracting some of the top talent in the financial sector, which will further fuel momentum and innovation.

Hurdles remain, however. The worrying uptick in cybercrime linked to cryptocurrencies was noted as a deterrent to adoption that will require cross-border coordination between regulators and government crime agencies to tackle effectively.

Much like ESG, which struggles with issues around greenwashing, this emerging market will benefit from more clearly defined regulatory frameworks and a more mature service provider ecosystem. Here, MAS appears to be proactively seeking solutions, and AIMA stands ready to assist wherever possible.

Singapore Annual Forum in numbers

- Over 220 attendees, with more than 90% of registered persons attending
- Nearly half (40%) of attendees represented hedge fund managers
- Nearly half (40%) of overall attendees were women
- Attendees came from across APAC for the one-day event, and from as far away as the UK
- AIMA aims for the Singapore Annual Forum to be one of several in-person events across APAC in 2022

Contact us

To get involved as attendees, speakers, moderators or sponsors for next year's forum in April 2023 or our other events (in-person and virtual) in Singapore, please contact:

- Lee Kwang Teo, Director, Head of Singapore, or
- apac@aima.org.

Non-members that would like to know more about AIMA's global events, advocacy work and market research, please contact

- Fiona Treble, Managing Director, Global Head of Membership, or
- Lee Kwang Teo, Director, Head of Singapore, for APAC-specific information.

About AIMA

The Alternative Investment Management Association (AIMA) is the global representative of the alternative investment industry, with around 2,100 corporate members in over 60 countries. AIMA's fund manager members collectively manage more than US$2.5 trillion in hedge fund and private credit assets.

AIMA draws upon the expertise and diversity of its membership to provide leadership in industry initiatives such as advocacy, policy and regulatory engagement, educational programmes and sound practice guides. AIMA works to raise media and public awareness of the value of the industry.

AIMA set up the Alternative Credit Council (ACC) to help firms focused in the private credit and direct lending space. The ACC currently represents over 250 members that manage US$600 billion of private credit assets globally.

AIMA is committed to developing skills and education standards and is a co-founder of the Chartered Alternative Investment Analyst designation (CAIA) – the first and only specialised educational standard for alternative investment specialists. AIMA is governed by its Council (Board of Directors).

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