



 DREW & NAPIER

# Year in Review 2022 – Singapore Lending Market

**28 December 2022**

# LEGAL UPDATE

# In this Update

The financial services industry and the Singapore lending market continued to face significant developments in 2022. In this article, we summarise incentives taken to facilitate the growth of the energy and sustainable finance sectors, review updates relating to the ongoing transition to SORA and highlight the rise of digital banks.

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## OVERVIEW

### KEYPOINT

*As the current year draws to an end, this article looks back on some of the key changes and developments in the Singapore lending market in 2022.*

## THE ENERGY AND SUSTAINABLE FINANCE SECTORS

There is a growing demand for financing in infrastructure and sustainable finance products throughout Southeast Asia. In 2022, several initiatives as set out below were taken to ensure that Singapore continues to grow as Asia's premier financial centre and is well positioned to advance the green finance agenda:

- (a) To support Singapore's transition to a low-carbon economy, the Singapore government announced in the Budget 2022 that the public sector will issue up to S\$35 billion of green bonds by 2030. This will include bonds issued by the Singapore government as well as its statutory boards to finance public sector green infrastructure projects. In addition, in June 2022, the Monetary Authority of Singapore (MAS) introduced the Singapore Green Bond Framework, a governance framework for sovereign green bond issuances under the Significant Infrastructure Government Loan Act 2021 which sets out guidelines for public sector green bond issuances that are aligned with internationally recognised market principles and standards.
- (b) To help lower borrowing costs for eligible corporate borrowers, on 18 February 2022, MAS announced the extension of the MAS Singapore Dollar Facility for Environmental, Social, and Governance Loans from 1 April 2022 to 30 September 2022. This facility provides low-cost funding to banks and finance companies to support loans made under Enterprise Singapore's Temporary Bridging Loan Programme (TBLP) and Enterprise Financing Scheme – SME Working Capital Loan (EFS-WCL). TBLP provides additional cash flow support for Singapore-based companies in all sectors to meet their working capital needs, while EFS-WCL helps Singapore-based SMEs access financing for operational cash flow requirements.
- (c) On 12 May 2022, the Green Finance Industry Taskforce (GFIT) published its second taxonomy for public consultation which detailed proposed thresholds and criteria for the classification of economic activities (as green, amber, or red) based on their

contributions to climate change mitigation. GFIT aims to finalise the full taxonomy in 2023.

- (d) In August 2022, the Asia Infrastructure Forum held in Singapore focused on devising ways to accelerate efforts to deliver a pipeline of sustainable infrastructure projects. The key highlights include the launch of the Infrastructure Asia Project Portal, which aims to (i) serve as a virtual marketplace to connect like-minded industry players to develop infrastructure projects, (ii) improve the visibility of the region's infrastructure project pipeline and (iii) raise the awareness of Singapore's regional counterparts of, and build their confidence in, technological and financial solutions from Infrastructure Asia's Singapore and Singapore based partners.
- (e) In September 2022, MAS launched the updated Financial Services Industry Transformation Map 2025 (ITM 2025) to outline various strategies to further develop Singapore as a leading international financial centre in Asia. To support the sustainability initiatives set out in the ITM 2025, including catalysing Asia's transition towards net-zero, the Financial Sector Development Fund will set aside S\$100 million grant funding for capability building, green FinTech, climate risk and reinsurance and new financing solutions.

## **THE TRANSITION TO SORA**

The transition to risk free rates and SORA continued throughout 2022. In July 2022, the Association of Banks in Singapore and the Steering Committee for Swap Offer Rate & SIBOR Transition to SORA (SC-STs) finalised the key settings of the MAS Recommended Rate that will apply as a contractual fallback reference rate in wholesale SOR contracts after 31 December 2024.

The SC-STs also published an updated Transition Roadmap 2022 and set out supplementary guidance to help market participants price the conversion of wholesale SOR contracts to SORA for the current period until 31 December 2024. The technical details for the implementation of SC-STs's supplemental guidance on adjustment spreads for the conversion of wholesale SOR contracts to SORA and an online adjustment spread calculator were published in December 2022.

The SC-STs's guidance provides clarity on the pathway for the eventual transition of all legacy SOR contracts to SORA and will further facilitate the industry's transition away from SOR following its discontinuation after 30 June 2023.

## **DEVELOPMENTS RELATING TO DIGITAL BANKING**

All four applicants that were awarded digital bank licences by MAS two years ago launched their services in 2022.

GXS Bank Pte. Ltd. (backed by a consortium comprising Grab Holding Inc. and Singapore Telecommunications Ltd.) and Trust Bank Singapore Limited (backed by a partnership between Standard Chartered Bank and FairPrice Group) hold digital full bank licences, whilst Green Link Digital Bank Pte. Ltd. and ANEXT Bank Pte. Ltd. hold digital wholesale bank licences.

In line with the shift towards an increasingly digital era, traditional retail banking market players in Singapore have also started offering digital banking and payment services to their customers. It remains to be seen how the entry of digital banks into Singapore will affect the loan market, particularly in respect of the accessibility of funds for SMEs.

## **CONCLUSION**

Drew & Napier looks forward to continuing to support its clients as they navigate the above developments as well as new opportunities and challenges that arise in 2023.

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