



Monetary Authority of Singapore

**GUIDELINES ON INVESTMENT
AND VOTING POLICIES**

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GUIDELINES ON INVESTMENT AND VOTING POLICIES

INTRODUCTION

1 These Guidelines are issued in connection with regulations 12(3), 13(3) and 16(5) of the Banking Regulations (Regulation 5) [“the Regulations”]. Under the Regulations, certain control of voting power or interest in a company held by a bank, an affiliated entity of the bank or a qualified major stake company of the bank are excluded from the regulations referred to above unless the Authority declares that such control or interest should be included. The Authority may make such a declaration if it is of the opinion that the control or interest is not being used or exercised primarily for the benefit of the beneficiary. These Guidelines set out the factors relating to the investment and voting policy of a bank, an affiliated entity of a bank or a qualified major stake company of a bank that the Authority would consider in reaching such an opinion.

2 As these Guidelines are not meant to be exhaustive, the Authority may take into account any other significant factors in determining whether any control or interest in a company is being used and exercised primarily for the benefit of a beneficiary. The investment and voting policies of a bank or its affiliated entity may be internal documents and need not form part of the contractual agreement between the bank or its affiliated entity and the beneficiary.

DEFINITIONS

3 The expressions used in these Guidelines shall, except where expressly defined in these Guidelines or where the context otherwise requires, have the same meanings as in the Banking Act.

- 4 In these Guidelines, unless the context otherwise requires —
- (a) “affiliate”, in relation to a substantial shareholder of a bank incorporated in Singapore, means any company in which the substantial shareholder, whether alone or together with his spouse, child, step-child, brother, sister, parent or step-parent, has a major stake, other than —
- (i) the bank incorporated in Singapore and any company in which the bank has a major stake;
 - (ii) where the bank is the subsidiary of another bank incorporated in Singapore (hereinafter referred to as “parent bank”), the parent bank and companies in which the parent bank has a major stake; or
 - (iii) where the bank is the subsidiary of a financial holding company, the financial holding company and companies in which the financial holding company has a major stake.
- (b) “affiliated entity”, in relation to a bank, has the same meaning as in Regulation 12 of the Regulations;
- (c) “major stake” has the following meaning:
- (i) in relation to a bank, the same meaning as in Section 32(7) of the Banking Act;
 - (ii) in relation to a substantial shareholder or financial holding company, any company in which the substantial shareholder or financial holding company, as the case may be, has:
 - (A) any beneficial interest exceeding 10% in the share capital;
 - (B) control over more than 10% of the voting power; or

- (C) any interest, where the directors of the company are accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the substantial shareholder or financial holding company, or where the substantial shareholder or financial holding company is in a position to determine the policy of the company;
- (d) “policy owner” has the same meaning as in the First Schedule to the Insurance Act (Cap. 142);
- (e) “qualified major stake company”, in relation to a bank, has the same meaning as in regulation 15 of the Regulations;
- (f) “substantial shareholder” has the same meaning as in section 81 of the Companies Act (Cap. 50).

INVESTMENT POLICIES

5 An investment policy that is established by a bank or any of its affiliated entities for the purpose referred to in paragraph 1 should include the following:

- (a) an explicit statement that any right of control or influence would be used solely for the benefit of investors or policy owners, as the case may be;
- (b) a description of the investment strategy and investment limits in accordance with which the bank or any of its affiliated entities, as the case may be, would manage the funds of the investors or policy owners. This should include –
 - (i) the investment objectives, strategic asset allocation and applicable investment restrictions;
 - (ii) limits on investments in a single entity or group of entities that are connected to each other; and

- (iii) authorities and procedures for approving deviations from these limits;
- (c) established policies and procedures on investments by the bank or any of its affiliated entities, as the case may be, in connected entities, which should include –
 - (i) limits on investments in connected entities. This should include limits on investments in a single connected entity as well as on aggregate investments in the group of connected entities;
 - (ii) authorities and procedures for approving and monitoring these investments; and
 - (iii) procedures that would be used to resolve conflicts of interest scenarios between investors or policy owners on the one hand, and the management or other influential parties (such as the substantial shareholders of the bank or its affiliated entity, as the case may be) on the other hand.

6 In relation to paragraphs 5(b)(ii) and 5(c), the bank and each of its affiliated entities should define in its investment policy, the entities that the bank or its affiliated entity, as the case may be, considers to be connected to it, which should include –

- (a) in the case of –
 - (i) the bank, any affiliated entity of the bank;
 - (ii) any affiliated entity of the bank, the bank; and
- (b) any affiliate of a substantial shareholder of the bank.

7 As a bank or any of its affiliated entities may manage funds for customers under different contractual arrangements –

- (a) the investment policy of the bank or its affiliated entity, as the case may be, may make reference to another document such as an investment management agreement, trust deed or fund prospectus specific to those funds ("reference document") if such reference document already addresses the guidelines specified in paragraphs 5(b) and (c). Notwithstanding this, the investment policy should continue to address issues not addressed in the reference document; and
- (b) the investment limits referred to in paragraphs 5(b) and 5(c) may be applied at the specific fund level.

8 These Guidelines on investment policies do not apply to any investment that is managed by a bank or any of its affiliated entities on a non-discretionary basis.

VOTING POLICIES

9 A voting policy that is established by a bank or any of its affiliated entities for the purpose referred to in paragraph 1 should include the following:

- (a) an explicit statement that each resolution would be voted on in a manner that enhances the value of the investments of investors or policy owners in accordance with the fiduciary duty of the bank or its affiliated entity, as the case may be;
- (b) policies and procedures regarding voting on matters that may substantially affect the rights or privileges of investors or policy owners. Examples of such matters include the issuance of new or preferred shares, the issuance of shares as part of a debt restructuring plan and the creation of new classes of preferred stock;
- (c) procedures that would be used to resolve conflicts of interest scenarios between investors or policy owners on the one hand, and the management or other influential parties (such as the substantial shareholders of the bank or its affiliated entity, as the case may be) on the other hand; and

- (d) guidelines on how the bank or any of its affiliated entities, as the case may be, would vote on basic agendas. Annex A provides a list of basic agendas on which the Authority would expect the bank and its affiliated entities to set out in their guidelines on voting. Any deviation from these guidelines should be in the interest of investors or policy owners and be documented.

10 These Guidelines on voting policies do not apply in a case where —

- (a) the bank or any of its affiliated entities, as the case may be, does not vote except on the instructions of the beneficiary; and
- (b) the restriction referred to in paragraph 10(a) is specified in the voting policy.

OUTSOURCING OF INVESTMENT MANAGEMENT OR VOTING FUNCTION

11 If the management of excluded non-beneficial investments or the voting function is outsourced by a bank or any of its affiliated entities to a third party, the investment policy or voting policy, as the case may be, should include a description of the extent to which the investment management or voting function is so delegated. Under such circumstances, the investment or voting policy should continue to address matters in respect of which any discretion is retained by the bank or any of its affiliated entities, as the case may be.

OVERSIGHT OF INVESTMENT AND VOTING POLICIES

12 The investment policy and voting policy of a bank or any of its affiliated entities should be subject to regular review by the Board of directors of the bank or its affiliated entity (“the board”), as the case may be. While the board bears ultimate responsibility for the investment and voting policies, the board may delegate the authority to review the investment or voting policy or both to a board or management committee that oversees the overall investment or risk management activities of the bank or its affiliated entity, as the case may be.

13 These Guidelines take immediate effect.

Annex A

Basic Agendas that should be included in the Voting Policy

Board of Directors

Election of directors
Board structure and size
Term and age limits for directors
Retirement
Board diversity

Compensation Plans

Director remuneration
Director retirement plans
Stock option plans
Incentive compensation plans
Employee share purchase plans

Restructuring and Transactions

Mergers and acquisitions
Restructuring/reorganisation
Related party transactions

Capital Structure

Increase in authorised capital
Issuance of shares and rights
Reduction of share capital
Issuance of debt
Share buy-back

Standard Agenda Items

Director, auditor and financial statement reports
Appointment of auditors and auditor compensation
Allocation of income and dividends

Guidance Note:

The bank or its affiliated entity, as the case may be, should specify in its voting policy how it would generally vote on the agendas specified above. Examples relating to the **Board structure and size** include the following:

- “We vote for proposals that seek to fix the size of the board”;
- “We vote against proposals that give management the ability to alter the size of the board without shareholder approval”;
- “Shareholders’ proposals that request the board to be comprised of a majority of independent directors are evaluated on a case-by-case basis”;
- “We vote for shareholders’ proposals that request that the audit, compensation and/or nominating committees include independent directors”.