



Monetary Authority of Singapore



# Financial Sector Development Fund

Annual Report 2017/2018

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# Establishment and Objects of the Fund

The Financial Sector Development Fund (“FSDF” or the “Fund”) was established under Section 30A<sup>1</sup> of the Monetary Authority of Singapore Act (Cap. 186, 1999 Revised Edition). It is controlled and administered by the Monetary Authority of Singapore (“MAS”), and shall be used for the objects and purposes set out in Section 30B<sup>1</sup> of the Act, namely:

- a. the promotion of Singapore as a financial centre;
- b. the development and upgrading of skills and expertise required by the financial services sector;
- c. the development and support of educational and research institutions, research and development programmes and projects relating to the financial services sector; and
- d. the development of infrastructure to support the financial services sector in Singapore.

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<sup>1</sup> Section 30A and Section 30B of the Monetary Authority of Singapore Act were renumbered to Section 127 and Section 128 respectively when Section 9 of the Monetary Authority of Singapore (Amendment) Act 2017 came into operation on 4 June 2018.

# Highlights of the Year

For the financial year ended 31 March 2018, FSDF saw an increase in grant expenses and commitments to support a range of initiatives across talent development, innovation and technology, as well as business strategies and consumer education. Grant expenses totalled \$50 million, while outstanding commitments stood at \$91 million.

## **Talent Development**

MAS continued to partner the Institute of Banking and Finance (“IBF”) to promote competency development and support the training needs of the industry via the Financial Training Scheme and IBF Standards Training Scheme. The schemes supported around 20,000 trainees over the past year. MAS also supported the building of talent pipeline in specialist areas such as quantitative finance, risk management, actuarial science, and specialty insurance through 17 scholarships awarded under the Finance Scholarship Programme.

Since 2013, MAS introduced various initiatives, including Finance Associate Management Scheme and International Posting Programme, to develop a strong core of Singaporean leaders in finance. In the past year, financial institutions had developed structured programmes to provide more than 500 Singaporeans with opportunities for cross-functional and overseas exposure for future specialist and leadership roles.

At the senior management level, the Asian Financial Leadership Scheme was introduced in 2015 to encourage financial institutions to develop a stronger pipeline of Singaporean finance leaders for regional and global roles. FSDF had since supported over 70 leaders through curated programmes that provided opportunities to engage regional policymakers and corporate leaders, and to develop deeper insights into Asian markets.

## **Innovation and Technology**

In June 2015, MAS launched the Financial Sector Technology and Innovation (“FSTI”) Scheme, which committed \$225 million over 5 years to support the creation of a vibrant ecosystem for innovation. Since its launch, there has been healthy take-up of the scheme, supporting 13 innovation labs, 15 industry infrastructure, institutional-specific or proof-of-concept projects, and 57 FinTech Awardees.

In the past year, FSDF funded 7 industry infrastructure projects, including PayNow and Project Ubin, and 4 proof-of-concept projects, which were designed to promote more experimentation within the financial sector and accelerate the development and dissemination of nascent innovative technologies.

The FSTI scheme was also enhanced to introduce a new track – Artificial Intelligence (“AI”) & Data Analytics (“DA”) – to promote the adoption and integration of AI & DA in financial institutions and support research institutions in generating applied research in AI & DA for the financial sector.

## **Business Strategies and Consumer Education**

FSDF had supported initiatives to grow key financial sector activities. These included schemes to support the development of the bond market, including the Asian Bond Grant Scheme, Green Bond Grant Scheme, and the SGD Credit Rating Grant Scheme. These new schemes were well-received by the industry and FSDF had provided funding support to 18 new bond issuances in Singapore over the past year.

FSDF continued to co-fund consumer education initiatives. These included MoneySENSE's efforts to provide financial education to the general public through mass media outreach efforts, financial education seminar series, as well as financial literacy workshops conducted by schools and the community. These efforts helped equip Singaporeans with financial knowledge and capabilities to make informed financial decisions in their daily lives.

## **Financial Statement Highlights**

For the financial year ended 31 March 2018, FSDF recorded an overall net surplus of \$81 million. The net surplus arose mainly from dividend income and gains from the investment portfolio, as global markets continued its rally from the previous year. These investment gains were offset partially by foreign exchange losses, largely due to the strengthening of the Singapore Dollar against the US Dollar.

The total expenditure of FSDF increased by \$16 million from the previous financial year to \$56 million, mainly from the increase in grant expenses. The overall net surplus for the financial year increased FSDF's net assets to \$1,531 million.

# Looking Ahead

MAS launched the Financial Services Industry Transformation Map in October 2017, outlining the growth strategies by business lines, programmes for upgrading skills, and an agenda for continuous innovation and technology adoption. In the years to come, FSDF will seek to support these growth strategies amidst the ongoing financial sector transformation.

# Financial Statements

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# Statement by Management

For the financial year ended 31 March 2018

In the opinion of the Management, the financial statements of the Fund as set out on pages 12 to 37 are drawn up so as to present fairly the state of affairs of the Fund as at 31 March 2018, the results and changes in equity of the Fund for the financial year ended on that date, and of the cash flows of the Fund for the financial year then ended.

**THARMAN SHANMUGARATNAM**

Minister-in-charge  
Financial Sector Development Fund

**RAVI MENON**

Managing Director  
Monetary Authority of Singapore

21 June 2018

# Independent Auditor's Report on the Audit of the Financial Statements of the Financial Sector Development Fund

For the financial year ended 31 March 2018

## Opinion

The financial statements of the Financial Sector Development Fund (the Fund), set out on pages 12 to 37, have been audited under my direction. These financial statements comprise the balance sheet as at 31 March 2018, and the statement of comprehensive income, statement of changes in equity, and cash flow statement for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Monetary Authority of Singapore Act (Cap. 186, 1999 Revised Edition) (the Act) and Singapore Financial Reporting Standards (FRSs) so as to present fairly, in all material respects, the state of affairs of the Fund as at 31 March 2018 and the results, changes in equity and cash flows of the Fund for the financial year ended on that date.

## Basis for Opinion

The audit was conducted in accordance with Singapore Standards on Auditing (SSAs). The responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of this report. As the Auditor-General, I am independent of the Fund and I exercise my duties and powers in accordance with the Constitution of the Republic of Singapore (1999 Revised Edition) and the Audit Act (Cap. 17, 1999 Revised Edition). Ethical requirements that are relevant to the audit and in line with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) have been fulfilled. I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion.

## Other Information

The management of the Monetary Authority of Singapore is responsible for the other information. The other information comprises the information included in the Fund's Annual Report, but does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with the audit of the financial statements, the auditor's responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or the knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work performed, there is a material misstatement of this other information, that fact will be reported. I have nothing to report in this regard.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

The management of the Monetary Authority of Singapore is responsible for the preparation and fair presentation of the financial statements in accordance with the provisions of the Act and FRSs, and for such internal controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Fund is constituted based on the Act and its dissolution requires Parliament's approval. In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is intention to wind up the Fund or for the Fund to cease operations.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, professional judgement is exercised and professional scepticism is maintained throughout the audit. An audit also includes:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a

material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtaining an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal controls.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I will draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, modify my opinion. My conclusion is based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls identified during the audit are communicated to those charged with governance.

**TAN YOKE MENG WILLIE**  
AUDITOR-GENERAL  
SINGAPORE

22 June 2018

# Statement of Comprehensive Income

For the year ended 31 March	Note	2018 \$'000	2017 \$'000
Interest Income		36,004	32,795
Dividend Income		73,571	73,920
Gain / (Loss) from Financial Instruments at Fair Value through Profit or Loss		78,178	35,112
Foreign Exchange Gain / (Loss)		(51,100)	22,841
Other Income		179	305
<b>Total Income</b>		<b>136,832</b>	<b>164,973</b>
Less:			
Investment Expenses		6,302	6,160
Grants		49,735	33,981
Other Expenses	9	191	131
<b>Total Expenditure</b>		<b>56,228</b>	<b>40,272</b>
<b>Net Surplus and Total Comprehensive Income for the Year</b>	<b>3</b>	<b>80,604</b>	<b>124,701</b>

The accompanying notes form an integral part of these financial statements.

# Balance Sheet

As at 31 March	Note	2018	2017
		\$'000	\$'000
<b>ACCUMULATED FUND</b>			
Capital Account		471,635	471,635
Accumulated Surplus		1,059,008	978,404
	4	<b>1,530,643</b>	<b>1,450,039</b>
<u>Represented by:</u>			
<b>ASSETS</b>			
Bank Balances and Deposits	5	170,199	173,298
Financial Assets at Fair Value through Profit or Loss		1,371,978	1,298,097
Loans and Receivables		46,588	30,284
		1,588,765	1,501,679
<u>Less:</u>			
<b>LIABILITIES</b>			
Financial Liabilities at Fair Value through Profit or Loss		15,753	6,480
Accruals and Other Liabilities		42,369	45,160
		58,122	51,640
<b>NET ASSETS OF THE FUND</b>		<b>1,530,643</b>	<b>1,450,039</b>

The accompanying notes form an integral part of these financial statements.

## Statement of Changes in Equity

	Capital Account	Accumulated Surplus	Total
	\$'000	\$'000	\$'000
Balance as at 1 April 2016	471,635	853,703	1,325,338
Total Comprehensive Income for the Year	-	124,701	124,701
<b>Balance as at 31 March 2017</b>	<u>471,635</u>	<u>978,404</u>	<u>1,450,039</u>
Total Comprehensive Income for the Year	-	80,604	80,604
<b>Balance as at 31 March 2018</b>	<u><u>471,635</u></u>	<u><u>1,059,008</u></u>	<u><u>1,530,643</u></u>

The accompanying notes form an integral part of these financial statements.

# Cash Flow Statement

<b>For the year ended 31 March</b>	<b>Note</b>	<b>2018</b>	<b>2017</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Cash Flows from Operating Activities</b>			
Surplus for the Year		80,604	124,701
Adjustments for:			
Interest Income		(36,004)	(32,795)
Dividend Income		(73,571)	(73,920)
(Gain) / Loss from Financial Instruments at Fair Value through Profit or Loss		(78,178)	(35,112)
Foreign Exchange (Gain) / Loss		51,100	(22,841)
<b>Operating Cash Flows before Changes in Working Capital</b>		<b>(56,049)</b>	<b>(39,967)</b>
Changes in operating assets and liabilities			
Decrease / (Increase) in Loans and Receivables		(688)	573
Increase / (Decrease) in Accruals and Other Liabilities		8,065	1,055
Dividends Received on Singapore Exchange Limited Shares		69,998	69,998
Interest Received from Bank Balances and Deposits		954	898
<b>Net Cash generated from Operating Activities</b>		<b>22,280</b>	<b>32,557</b>
<b>Cash Flows from Investing Activities</b>			
Net Increase in Financial Instruments		(58,937)	(92,983)
Dividends Received		3,422	4,078
Interest Received		34,137	31,501
<b>Net Cash used in Investing Activities</b>		<b>(21,378)</b>	<b>(57,404)</b>
<b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>		<b>902</b>	<b>(24,847)</b>
<b>Cash and Cash Equivalents as at beginning of the year</b>		<b>110,419</b>	<b>134,570</b>
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>		<b>(131)</b>	<b>696</b>
<b>Cash and Cash Equivalents as at end of the year</b>	<b>5</b>	<b>111,190</b>	<b>110,419</b>

The accompanying notes form an integral part of these financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

## 1 GENERAL

- 1.1 The Financial Sector Development Fund (the “Fund”) is established under Section 30A of the Monetary Authority of Singapore Act (Cap. 186, 1999 Revised Edition). It is controlled and administered by the Monetary Authority of Singapore (“MAS” or the “Authority”), located at 10 Shenton Way, MAS Building, Singapore 079117. The Authority provides administrative and accounting support to the Fund. The Fund shall be used for the objects and purposes set out in Section 30B of the Act, namely,
- a) the promotion of Singapore as a financial centre;
  - b) the development and upgrading of skills and expertise required by the financial services sector;
  - c) the development and support of educational and research institutions, research and development programmes and projects relating to the financial services sector; and
  - d) the development of infrastructure to support the financial services sector in Singapore.
- 1.2 The Fund shall be deemed not to be a fund of the Authority for the purposes of any written law.
- 1.3 Section 30A and Section 30B of the Monetary Authority of Singapore Act were renumbered to Section 127 and Section 128 respectively when Section 9 of the Monetary Authority of Singapore (Amendment) Act 2017 came into operation on 4 June 2018.

## 2 SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of Preparation

- a) The financial statements have been prepared in accordance with the provisions of the Monetary Authority of Singapore Act and the Singapore Financial Reporting Standards (“FRS”) and on an accrual basis.
- b) Amendments to FRSs applicable in the current financial year do not have a significant impact on the Fund’s financial statements.
- c) The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Fund’s

accounting policies. It also requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenditure during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from these estimates.

- d) The financial statements are presented in Singapore dollars, the Fund's functional currency, and rounded to the nearest thousand, unless otherwise stated.

## 2.2 Income Recognition

- a) Interest income

Interest income is recognised on a time-proportionate basis using the effective interest method. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, where appropriate, a shorter period to the net carrying amount.

- b) Dividend income

Dividend income, including dividend income from shares held by SEL Holdings Pte Ltd ("SEL") for the benefit of the Fund, is recognised when the right to receive payment is established.

## 2.3 Financial Assets

- a) Classification

The Fund's investments in financial assets are classified as financial assets at fair value through profit or loss and loans and receivables.

- i) Financial assets at fair value through profit or loss are financial derivatives or financial assets other than loans and receivables, designated by management as such on initial recognition as it results in more relevant information, because they are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information is provided internally on that basis to MAS management. They include fixed income securities, equities, commodities and an infrastructure fund.
- ii) Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

- b) Recognition and Derecognition

Purchases and sales of investments are recognised on the date when the Fund commits to purchase or sell the asset. Investments are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

- c) Initial and Subsequent Measurements

Financial assets at fair value through profit or loss are initially recognised and subsequently measured at fair value with changes in fair value and profit/loss on

disposal included in the statement of comprehensive income in the period in which they arise. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Transaction costs for financial assets at fair value through profit or loss are recognised as expenses on the transaction dates. Loans and receivables are carried at amortised cost.

d) **Impairment**

The Fund assesses at each balance sheet date whether there is objective evidence that an impairment loss on loans and receivables has been incurred. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Impairment losses, if any, are recognised in the statement of comprehensive income for the period.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for loans and receivables no longer exist or have decreased. The reversal, if any, is recognised in the statement of comprehensive income. However, the increase in the carrying amount of loans and receivables due to a reversal of an impairment is recognised to the extent that it does not exceed the carrying amount that would have been determined (net of amortisation) had no impairment losses been recognised for the loans and receivables in prior years.

2.4 **Financial Liabilities**

The Fund classifies its financial liabilities in the following categories: (a) financial derivatives and (b) accruals and other liabilities. Financial derivatives - liabilities, classified as fair value through profit or loss, are carried at fair value, with changes in fair value recognised in fair value gain/loss through profit or loss in the statement of comprehensive income. Accruals and other liabilities are carried at amortised cost using the effective interest method.

A financial liability is derecognised from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

2.5 **Offsetting of Financial Assets/Liabilities and Income/Expenditure**

Financial assets and liabilities are set off and the net amount is presented in the balance sheet when, and only when, there is a legally enforceable right to set off the amounts and an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Income and expenditure are netted only when permitted by the accounting standards.

2.6 **Foreign Currency Translation**

Transactions in a foreign currency are measured using the exchange rate prevailing at the date of the transaction. Foreign exchange gain/loss resulting from the settlement of such transactions and the translation of assets and liabilities denominated in foreign currencies, into Singapore dollars, at the exchange rate prevailing at the balance sheet date, are recognised in the statement of comprehensive income.

### 3 INCOME AND EXPENDITURE

	<u>2018</u> \$'000	<u>2017</u> \$'000
3.1 <b>Net Income/(Loss) from</b>		
a) <b>Financial Assets at Fair Value through Profit or Loss</b>		
Held for Trading - Financial Derivatives	65,428	11,350
Financial Assets Designated as Fair Value through Profit or Loss at Initial Recognition	5,271	73,441
b) <b>Loans and Receivables</b>	(8,048)	173
c) <b>Accruals and Other Liabilities</b>	33	(31)
d) <b>Singapore Exchange Limited Shares held by SEL for the benefit of the Fund</b>	69,998	69,998
	132,682	154,931
3.2 <b>Interest Income/(Expense) from Financial Assets or Liabilities not at Fair Value through Profit or Loss</b>		
a) <b>Bank Balances and Deposits</b>	1,869	1,334
b) <b>Accruals and Other Liabilities</b>	(41)	-
<b>Total Net Income from Financial Assets and Liabilities</b>	<u>134,510</u>	<u>156,265</u>
3.3 <b>Grants</b>	(49,735)	(33,981)
3.4 <b>Other Net Income / (Expenditure)</b>	(4,171)	2,417
<b>Total Comprehensive Income for the Year</b>	<u><u>80,604</u></u>	<u><u>124,701</u></u>

## 4 CAPITAL AND ACCUMULATED SURPLUS

4.1 The capital and accumulated surplus of the Fund comprise:

	<u>2018</u> <u>\$'000</u>	<u>2017</u> <u>\$'000</u>
Capital Account	471,635	471,635
Accumulated Surplus	1,059,008	978,404
Accumulated Fund as at 31 March	<u>1,530,643</u>	<u>1,450,039</u>

4.2 The Fund's Capital Account consists of the net sale proceeds of the Singapore Exchange Limited's (SGX) shares, in accordance with Section 30A (2) of the Monetary Authority of Singapore Act.

4.3 As at 31 March 2018, SEL holds 249,991,184 SGX shares for the benefit of the Fund as stipulated under Section 11(2) of the Exchanges (Demutualisation and Merger) Act (Cap. 99B, 2000 Revised Edition). These SGX shares have a market valuation of \$1.84 billion as at 31 March 2018 (31 March 2017: \$1.93 billion). In the event of a sale, net sale proceeds of these shares (after deducting expenses allowed under Section 10(1) and the par value of those shares) shall be paid by SEL into the Fund under Section 10(2) of the Exchanges (Demutualisation and Merger) Act.

4.4 The Fund seeks to generate good long-term returns subject to liquidity and risk parameters in support of its objects and purpose under Section 30B of the Monetary Authority of Singapore Act. The liquidity and risk parameters set for the Fund takes into account its long term investment horizon and ability to ride through short-term volatility in market valuations.

4.5 Periodic reviews are conducted on the adequacy of the Fund's capital and its grant commitments, taking into consideration the risks applicable to the Fund and its expected returns. Regular updates are provided to the MAS management and the Minister-in-charge.

## 5 BANK BALANCES AND DEPOSITS

5.1 These comprise the following:

	<u>Note</u>	<u>2018</u> <u>\$'000</u>	<u>2017</u> <u>\$'000</u>
Cash and Cash Equivalents		111,190	110,419
Bank Balances and Deposits held by Singapore Exchange Limited in trust for the Fund	5.2	59,009	62,879
		<u>170,199</u>	<u>173,298</u>

- 5.2 Included in bank balances and deposits of \$170.2 million as at 31 March 2018 is US\$45.0 million (\$59.0 million) (31 March 2017: US\$45.0 million [\$62.9 million]) held by Singapore Exchange Ltd, in trust for a Fund-supported market infrastructure project. The Fund reserves the right, to vary or change the amount for the project or withdraw any part of or the entire amount for this project, and recover in full, or part, any moneys disbursed if specified terms and conditions, including satisfying the project's key performance indicators, are not met or upon the occurrence of specified events.

## **6 FINANCIAL RISK MANAGEMENT**

- 6.1 The MAS Markets and Investment Committee manages the Fund's investment and risk management strategies.
- 6.2 The Fund's investments are mainly in financial instruments, which are exposed to various specific risks outlined below. These risks are managed by establishing specific controls at the aggregate and individual portfolio levels, through diversification and regular monitoring. The Fund is managed by external fund managers, who assess the macroeconomic outlook and market developments in formulating investment strategies.
- 6.3 Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices and includes currency, interest rate, equity, commodity and other price risks. Market risks are managed through the diversification of the Fund's investments across various asset classes, countries, regions and sectors.

Sensitivity analysis is performed for reasonably possible movements in each key variable with all other variables held constant, to demonstrate the impact on profit or loss and equity resulting from the change in each key variable. The correlation of variables will have a significant effect in determining the ultimate fair values and/or amortised costs of financial assets.

**Profit or Loss and Equity Impact**

	<u>2018</u>	<u>2017</u>
<b>Change in Market Risk:</b>	<b>\$'000</b>	<b>\$'000</b>
a) Foreign Currency		
USD by 5%	31,844	32,114
BRL by 5%	2,764	2,704
HKD by 5%	990	1,690
ZAR by 5%	2,491	2,423
b) Interest Rate		
by 1%	39,160	35,829
c) Equity		
by 10%	61,576	45,841
d) Commodity		
by 10%	5,698	4,618

6.3a) Currency Risk

- i) Currency risk is the risk of loss from foreign assets and liabilities due to changes in foreign exchange rates. The table below summarises the Fund's currency risk exposure based on the net carrying amounts of the foreign currency denominated assets and liabilities.

<b>At 31 March</b>	<b>2018</b>		<b>2017</b>	
	<b>\$'000</b>	<b>%</b>	<b>\$'000</b>	<b>%</b>
Singapore Dollar	537,004	35.1	465,576	32.1
US Dollar	636,872	41.6	642,960	44.4
Brazilian Real	55,278	3.6	54,088	3.7
Hong Kong Dollar	19,802	1.3	33,800	2.3
South African Rand	49,818	3.3	48,465	3.3
Others	231,869	15.1	205,150	14.2
<b>Total</b>	<u>1,530,643</u>	<u>100.0</u>	<u>1,450,039</u>	<u>100.0</u>

- ii) Other currencies include mainly Indonesian Rupiah, Japanese Yen, Mexican Peso and Russian Ruble (31 March 2017: Other currencies include mainly British Pound, Indonesian Rupiah, Malaysian Ringgit and Swedish Krona).

### 6.3b) Interest Rate Risk

- i) Interest rate risk is the risk of loss from a financial instrument due to changes in market interest rates. The Fund manages interest rate risks by setting duration limits on its investments. The table below summarises the Fund's financial instruments that have exposure to interest rate re-pricing risks, categorised by the earlier of contractual re-pricing or maturity dates.

As at 31 March	Earlier of Repricing/Contractual Maturity Date					2018
	Non-Interest Bearing	Up to 3 months	Over 3 months and up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total
		\$'000	\$'000	\$'000	\$'000	\$'000
<b>ASSETS</b>						
Bank Balances and Deposits	62,311	59,370	48,518	-	-	170,199
<b>Financial Assets at Fair Value through Profit or Loss</b>						
Financial Derivatives Receivable	15,807	625	-	-	-	16,432
Fixed Income Securities	-	442,012	76,751	242,298	429,506	1,190,567
Equities	134,754	-	-	-	-	134,754
Infrastructure Fund (Unquoted)	30,225	-	-	-	-	30,225
	180,786	442,637	76,751	242,298	429,506	1,371,978
<b>Loans and Receivables</b>						
Other Receivables	15,829	28,259	-	-	-	44,088
Receivables from SEL Holdings Pte Ltd	2,500	-	-	-	-	2,500
	18,329	28,259	-	-	-	46,588
<b>TOTAL ASSETS</b>	<b>261,426</b>	<b>530,266</b>	<b>125,269</b>	<b>242,298</b>	<b>429,506</b>	<b>1,588,765</b>
<b>LIABILITIES</b>						
<b>Financial Liabilities at Fair Value through Profit or Loss</b>						
Financial Derivatives Payable	15,753	-	-	-	-	15,753
<b>Accruals and Other Liabilities</b>						
Accounts Payable - Grants	34,561	-	-	-	-	34,561
Other Payables	7,533	275	-	-	-	7,808
	42,094	275	-	-	-	42,369
<b>TOTAL LIABILITIES</b>	<b>57,847</b>	<b>275</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>58,122</b>
<b>NET ASSETS</b>	<b>203,579</b>	<b>529,991</b>	<b>125,269</b>	<b>242,298</b>	<b>429,506</b>	<b>1,530,643</b>



6.3b) Interest Rate Risk (continued)

As at 31 March	Earlier of Repricing/Contractual Maturity Date					2017 Total
	Non-Interest Bearing	Up to 3 months	Over 3 months and up to 1 year	Over 1 year and up to 5 years	Over 5 years	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>ASSETS</b>						
<b>Bank Balances and Deposits</b>	74,420	54,165	44,713	-	-	173,298
<b>Financial Assets at Fair Value through Profit or Loss</b>						
Financial Derivatives Receivable	6,925	25	71	-	-	7,021
Fixed Income Securities	-	115,642	289,926	237,003	406,292	1,048,863
Equities	207,829	-	-	-	-	207,829
Infrastructure Fund (Unquoted)	34,384	-	-	-	-	34,384
	249,138	115,667	289,997	237,003	406,292	1,298,097
<b>Loans and Receivables</b>						
Other Receivables	14,873	12,911	-	-	-	27,784
Receivables from SEL Holdings Pte Ltd	2,500	-	-	-	-	2,500
	17,373	12,911	-	-	-	30,284
<b>TOTAL ASSETS</b>	<b>340,931</b>	<b>182,743</b>	<b>334,710</b>	<b>237,003</b>	<b>406,292</b>	<b>1,501,679</b>
<b>LIABILITIES</b>						
<b>Financial Liabilities at Fair Value through Profit or Loss</b>						
Financial Derivatives Payable	6,465	15	-	-	-	6,480
<b>Accruals and Other Liabilities</b>						
Accounts Payable - Grant	26,447	-	-	-	-	26,447
Other Payables	18,713	-	-	-	-	18,713
	45,160	-	-	-	-	45,160
<b>TOTAL LIABILITIES</b>	<b>51,625</b>	<b>15</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>51,640</b>
<b>NET ASSETS</b>	<b>289,306</b>	<b>182,728</b>	<b>334,710</b>	<b>237,003</b>	<b>406,292</b>	<b>1,450,039</b>

- ii) The carrying amounts of loans and receivables and accruals and other liabilities approximate their fair value.
- iii) The carrying amounts of financial assets pledged as collateral for financial derivatives amounted to \$25.3 million as at 31 March 2018 (31 March 2017: \$11.9 million).

## 6.4 Credit Risk

- a) Credit risk is the risk of loss arising from a party's failure to discharge an obligation under a financial contract and includes counterparty and issuer credit risk.
- b) The Fund's credit risks are managed by transacting with entities of acceptable creditworthiness within assigned limits. Credit risks are also mitigated by diversifying credit exposures across counterparties and issuers.
- c) The Fund enters into master netting arrangements with counterparties where it is appropriate and feasible to do so to mitigate counterparty risk. The credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are settled on a net basis. Master netting arrangements do not result in an offset of financial assets and liabilities on the balance sheet, as the legal right to set off the transactions is conditional upon default. These netting arrangements include derivative master agreements such as International Swaps and Derivatives Association (ISDA) Master Agreement and Global Master Repurchase Agreements (GMRA).

The collateral received and posted under these agreements are subject to terms that are in accordance with market practice. In these agreements, the counterparty is typically allowed to sell or re-pledge non-cash collateral (i.e. securities) transferred, but has an obligation to return the securities at maturity. If the securities received decrease in value, the Fund may, in certain circumstances, call for additional collateral.

- d) The Fund manages issuer credit risk by imposing minimum credit rating requirements on the investment of its fixed income securities. Single issuer limits are placed to control the credit exposure to any one issuer and to mitigate the extent of loss resulting from a default.
- e) The total carrying amounts of bank balances, deposits, financial derivatives, fixed income securities, loans and receivables and infrastructure fund represent the Fund's maximum credit exposure.
- f) The credit exposure by rating of the fixed income securities held by the Fund is analysed below:

<b>As at 31 March</b>	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
AAA	103,688	454,385
AA+ to BBB-	932,005	528,574
Unrated and Others	154,874	65,904
	<u>1,190,567</u>	<u>1,048,863</u>

## 6.4g) Credit Risk (continued)

The disclosures set out in the tables below pertain to financial assets and liabilities that are not offset in the Fund's balance sheet but are subject to enforceable master netting arrangement or similar agreement that covers similar financial instruments. The disclosures enable the evaluation of the potential effect of netting arrangements on the Fund's financial position.

As at 31 March 2018	Gross amounts on balance sheet	Gross amounts subject to netting arrangements but not set off in the balance sheet	Related amounts not set off		Net amount
			Financial instruments	Cash collateral	
	\$'000	\$'000	\$'000	\$'000	\$'000
		(A)	(B)	(C)	(A)-(B)-(C)=(D)
<b>Financial Assets</b>					
<b>Financial Assets at Fair Value through Profit or Loss</b>	1,371,978				
Financial Derivatives		5,335	786	275	4,274
<b>Loans and Receivables</b>	46,588				
Repurchase Agreements		16,522	16,522	-	-
		21,857	17,308	275	4,274
<b>Financial Liabilities</b>					
<b>Financial Liabilities at Fair Value through Profit or Loss</b>	15,753				
Financial Derivatives		10,498	786	9,712	-
		10,498	786	9,712	-
<b>As at 31 March 2017</b>					
	Gross amounts on balance sheet	Gross amounts subject to netting arrangements but not set off in the balance sheet	Related amounts not set off		Net amount
	\$'000	\$'000	Financial instruments	Cash collateral	\$'000
		(A)	(B)	(C)	(A)-(B)-(C)=(D)
<b>Financial Assets</b>					
<b>Financial Assets at Fair Value through Profit or Loss</b>	1,298,097				
Financial Derivatives		4,828	2,443	-	2,385
<b>Loans and Receivables</b>	30,284				
Repurchase Agreements		12,715	12,715	-	-
		17,543	15,158	-	2,385
<b>Financial Liabilities</b>					
<b>Financial Liabilities at Fair Value through Profit or Loss</b>	6,480				
Financial Derivatives		2,923	2,443	196	284
		2,923	2,443	196	284

6.4h) *Securities Pledged and Transferred*

The Fund enters into transactions like repurchase agreements where financial assets are sold or transferred to counterparties under terms that are in accordance with normal market practice.

The Fund retains substantially all the risks and rewards of these securities and has not derecognised them. In these transactions, the counterparty is typically allowed to sell or re-pledge those securities transferred, but has an obligation to return securities at maturity.

For repurchase agreements, the securities transferred are classified as “fair value through profit or loss”.

i) *Financial Assets that are neither past due nor impaired*

The Fund's balances and deposits with banks, receivables and other investments that are neither past due nor impaired, are mainly with banks and financial institutions with high credit-ratings assigned by international credit-rating agencies.

j) *Financial Assets that are past due and/or impaired*

There is no other class of financial assets that is past due except for loans and receivables.

The age analysis of loans and receivables past due but not impaired is as follows:

<b>As at 31 March</b>	Up to 3 months past due	Over 3 and up to 6 months past due	Over 6 months past due	<b>2018 Total</b>
	\$'000	\$'000	\$'000	<b>\$'000</b>
<b>Loans and Receivables</b>				
Receivables	-	-	-	-
<b>As at 31 March</b>				
	Up to 3 months past due	Over 3 and up to 6 months past due	Over 6 months past due	<b>2017 Total</b>
	\$'000	\$'000	\$'000	<b>\$'000</b>
<b>Loans and Receivables</b>				
Receivables	150	-	-	150

## 6.5 Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulty in selling a financial asset at close to its fair value at short notice to meet liabilities when they fall due. Limits are imposed on investments to ensure adequate diversification of cash flow sources. The table below analyses the financial assets and liabilities of the Fund based on undiscounted cash flows by remaining contractual maturities.

As at 31 March	Contractual Maturity Date					2018
	No Specific Maturity	Up to 3 months	Over 3 months and up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>ASSETS</b>						
Bank Balances and Deposits	62,310	48,880	-	59,009	-	170,199
<b>Financial Assets at Fair Value through Profit or Loss</b>						
Financial Derivatives						
Receivable						
Net Settled	-	6,828	2,283	417	29	9,557
Gross Settled						
Outflow	-	(947,355)	-	-	-	(947,355)
Inflow	-	954,597	-	-	-	954,597
Fixed Income Securities	46,055	361,078	136,299	335,475	604,361	1,483,268
Equities	134,754	-	-	-	-	134,754
Infrastructure Fund (Unquoted)	30,225	-	-	-	-	30,225
	211,034	375,148	138,582	335,892	604,390	1,665,046
<b>Loans and Receivables</b>						
Other Receivables	13,543	22,252	-	-	-	35,795
Receivables from SEL Holdings Pte Ltd	2,500	-	-	-	-	2,500
	16,043	22,252	-	-	-	38,295
<b>TOTAL ASSETS</b>	<b>289,387</b>	<b>446,280</b>	<b>138,582</b>	<b>394,901</b>	<b>604,390</b>	<b>1,873,540</b>
<b>LIABILITIES</b>						
<b>Financial Liabilities at Fair Value through Profit or Loss</b>						
Financial Derivatives						
Payable						
Net Settled	-	12,446	349	36	(390)	12,441
Gross Settled						
Outflow	-	640,734	-	-	-	640,734
Inflow	-	(637,581)	-	-	-	(637,581)
	-	15,599	349	36	(390)	15,594
<b>Accruals and Other Liabilities</b>						
Accounts Payable - Grants	34,561	-	-	-	-	34,561
Other Payables	410	7,398	-	-	-	7,808
	34,971	7,398	-	-	-	42,369
<b>TOTAL LIABILITIES</b>	<b>34,971</b>	<b>22,997</b>	<b>349</b>	<b>36</b>	<b>(390)</b>	<b>57,963</b>

## 6.5 Liquidity Risk (continued)

As at 31 March	Contractual Maturity Date					2017
	No Specific Maturity	Up to 3 months	Over 3 months and up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>ASSETS</b>						
<b>Bank Balances and Deposits</b>	74,420	35,999	-	62,879	-	173,298
<b>Financial Assets at Fair Value through Profit or Loss</b>						
Financial Derivatives						
Receivable						
Net Settled	-	2,663	126	49	(89)	2,749
Gross Settled						
Outflow	-	(707,373)	(5,002)	-	-	(712,375)
Inflow	-	711,527	5,102	-	-	716,629
Fixed Income Securities	48,483	43,124	314,297	356,196	547,200	1,309,300
Equities	207,829	-	-	-	-	207,829
Infrastructure Fund (Unquoted)	34,384	-	-	-	-	34,384
	290,696	49,941	314,523	356,245	547,111	1,558,516
<b>Loans and Receivables</b>						
Other Receivables	1,782	18,301	-	-	-	20,083
Receivables from SEL Holdings Pte Ltd	2,500	-	-	-	-	2,500
	4,282	18,301	-	-	-	22,583
<b>TOTAL ASSETS</b>	<b>369,398</b>	<b>104,241</b>	<b>314,523</b>	<b>419,124</b>	<b>547,111</b>	<b>1,754,397</b>
<b>LIABILITIES</b>						
<b>Financial Liabilities at Fair Value through Profit or Loss</b>						
Financial Derivatives						
Payable						
Net Settled	-	2,797	763	1,327	(808)	4,079
Gross Settled						
Outflow	-	504,877	112	-	-	504,989
Inflow	-	(502,220)	(112)	-	-	(502,332)
	-	5,454	763	1,327	(808)	6,736
<b>Accruals and Other Liabilities</b>						
Accounts Payable - Grants	26,448	-	-	-	-	26,448
Other Payables	251	18,461	-	-	-	18,712
	26,699	18,461	-	-	-	45,160
<b>TOTAL LIABILITIES</b>	<b>26,699</b>	<b>23,915</b>	<b>763</b>	<b>1,327</b>	<b>(808)</b>	<b>51,896</b>

## 6.6 Concentration Risk

Concentration risk is the risk of loss arising due to a disproportionate exposure to specific countries, regions and sectors. Investment limits are set to provide diversification of financial assets across countries, regions and sectors to mitigate concentration risk. The table below summarises the Fund's exposure to concentration risk.

As at 31 March 2018

	Americas	Asia & Oceania	Europe, the Middle East & Africa (EMEA)	Others	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b><u>FIXED INCOME SECURITIES</u></b>					
Government	473,822	63,158	111,613	-	648,593
Government Related	20,762	72,432	2,887	2,790	98,871
Corporates	205,264	75,146	110,676	-	391,086
Others	5,940	-	85	45,992	52,017
<b>Total</b>	<b>705,788</b>	<b>210,736</b>	<b>225,261</b>	<b>48,782</b>	<b>1,190,567</b>

### **EQUITIES**

Consumer Discretionary	2,173	6,676	2,291	-	11,140
Consumer Staples	6,884	7,620	2,538	-	17,042
Financials	6,912	19,118	10,110	-	36,140
Industrials	6,035	3,503	-	-	9,538
Information Technology	5,531	28,547	3,519	-	37,597
Telecommunication Services	-	7,623	6,799	-	14,422
Utilities	1,749	4,445	-	-	6,194
Energy	1,986	-	-	-	1,986
Healthcare	-	695	-	-	695
<b>Total</b>	<b>31,270</b>	<b>78,227</b>	<b>25,257</b>	<b>-</b>	<b>134,754</b>

As at 31 March 2017

	Americas	Asia & Oceania	Europe, the Middle East & Africa (EMEA)	Others	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b><u>FIXED INCOME SECURITIES</u></b>					
Government	388,393	143,552	108,735	-	640,680
Government Related	15,427	27,217	3,861	-	46,505
Corporates	189,680	41,154	71,448	-	302,282
Others	10,863	-	84	48,449	59,396
<b>Total</b>	<b>604,363</b>	<b>211,923</b>	<b>184,128</b>	<b>48,449</b>	<b>1,048,863</b>

### **EQUITIES**

Consumer Discretionary	-	11,092	3,042	-	14,134
Consumer Staples	15,765	13,044	5,244	-	34,053
Financials	10,032	28,745	11,851	-	50,628
Industrials	12,113	9,606	-	-	21,719
Information Technology	2,104	41,688	4,822	-	48,614
Telecommunication Services	4,327	14,067	9,317	-	27,711
Utilities	2,153	8,536	-	-	10,689
Energy	281	-	-	-	281
<b>Total</b>	<b>46,775</b>	<b>126,778</b>	<b>34,276</b>	<b>-</b>	<b>207,829</b>

## 6.7 Fair Values of Financial Assets and Liabilities

- a) The Fund assesses and classifies its financial assets and liabilities measured at fair value into three levels of fair value hierarchy based on the availability of observable market prices, data or inputs:
- i) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date;
  - ii) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Where the fair value of the financial instrument is measured by a valuation technique that uses independently sourced broker, dealer quotes and observable market parameters such as foreign exchange rates, yield curves and volatilities, it is disclosed at this level; and
  - iii) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs). Where no market data can be observed and judgement is required, the valuation of the financial instrument takes into account factors such as the illiquidity and price volatility of the asset class as well as adjustments for uncertainties in the input parameters and valuation modelling methods.



## 6.7b) Assets and Liabilities Measured at Fair Value

The following table summarises the financial assets and liabilities recorded at fair value by level of the fair value hierarchy.

<b>As at 31 March</b>	<b>2018</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Financial Assets at Fair Value through Profit or Loss</b>				
Financial Derivatives Receivable	8,672	7,760	-	16,432
Fixed Income Securities	430,583	759,984	-	1,190,567
Equities	134,754	-	-	134,754
Infrastructure Fund (Unquoted)	-	-	30,225	30,225
	<b>574,009</b>	<b>767,744</b>	<b>30,225</b>	<b>1,371,978</b>
<b>Financial Liabilities at Fair Value through Profit or Loss</b>				
Financial Derivatives Payable	3,467	12,286	-	15,753
	<b>3,467</b>	<b>12,286</b>	<b>-</b>	<b>15,753</b>
<b>As at 31 March</b>	<b>2017</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Financial Assets at Fair Value through Profit or Loss</b>				
Financial Derivatives Receivable	2,058	4,963	-	7,021
Fixed Income Securities	442,125	606,738	-	1,048,863
Equities	207,829	-	-	207,829
Infrastructure Fund (Unquoted)	-	-	34,384	34,384
	<b>652,012</b>	<b>611,701</b>	<b>34,384</b>	<b>1,298,097</b>
<b>Financial Liabilities at Fair Value through Profit or Loss</b>				
Financial Derivatives Payable	2,759	3,721	-	6,480
	<b>2,759</b>	<b>3,721</b>	<b>-</b>	<b>6,480</b>

6.7c) **Transfers from/to Level 1 and 2**

There are no transfers from/to Level 1 and 2 within the fair value hierarchy during the financial years ended 31 March 2018 and 2017.

d) **Assets Measured at Fair Value under Level 3**

Movements in the Fund's Level 3 financial assets are as follows:

As at 31 March	2018	2017
	Infrastructure Fund (Unquoted)	Infrastructure Fund (Unquoted)
	\$'000	\$'000
<b>Financial Assets at Fair Value through Profit or Loss</b>		
<b>Balance as at 1 April</b>	<b>34,384</b>	<b>24,449</b>
- Gain/(Loss) from Financial Instruments at Fair Value through Profit or Loss	(3,968)	1,664
- Foreign Exchange Gain/(Loss)	(1,998)	850
Total Unrealised Gains or Losses recognised in Profit/(Loss)	(5,966)	2,514
Purchases	1,807	7,421
<b>Balance as at 31 March</b>	<b>30,225</b>	<b>34,384</b>

Financial assets are transferred into Level 3 when their valuation inputs are no longer based on observable market data. Transfers of financial assets out of Level 3 are made when their valuation inputs can be based on observable market data.

e) **Effect of Changes in Significant Unobservable Inputs of Level 3 Financial Instruments**

Financial Assets at Fair Value through Profit or Loss	Fair Value as at 31 March 2018 \$'000	Fair Value as at 31 March 2017 \$'000	Valuation Technique	Unobservable Input	Range of Inputs
Infrastructure Fund (Unquoted)	30,225	34,384	Net asset value	Adjusted net asset value of the Fund	N/A
<b>Total</b>	<b>30,225</b>	<b>34,384</b>			

The fair value of the investment in the unquoted infrastructure fund has been estimated by the Fund's share of the net asset value of the infrastructure fund.

## 7 FINANCIAL DERIVATIVES

Derivative financial instruments are financial instruments whose values fluctuate in response to changes in the values of the underlying assets, interest or exchange rates or indices. These include forwards, swaps, futures and options.

*Forward foreign exchange* contracts are agreements to purchase or sell fixed amounts of currency at agreed rates of exchange on a specified future date.

*Foreign exchange futures* are exchange-traded agreements to purchase or sell a standard amount of a specified currency at an agreed rate of exchange on a specified future date.

*Currency options* give the buyer the right, but not the obligation, to purchase or sell specified amounts of currency at agreed rates of exchange on or before a specified future date.

*Interest rate futures* are typically exchange-traded agreements to purchase or sell a standard amount of a specified fixed income security or time deposit at an agreed interest rate on a specified future date.

*Interest rate swaps* are agreements that involve the exchange of interest obligations with a counterparty for a specified period without exchanging the underlying (or notional) principal.

*Interest rate forwards* are contracts to purchase or sell an underlying fixed income security at an agreed price on a specified future date.

*Equity-related futures* are typically exchange-traded agreements to purchase or sell a standard amount of a specified equity index at an agreed price or level on a specified future date.

*Equity-related swaps* are agreements to exchange payments based on an equity-linked return against a reference interest rate for a specified period.

*Commodity-related futures* are exchange-traded agreements to purchase or sell a standard amount of a specified commodity or commodity index at an agreed price on a specified future date.

*Credit default swaps* involve the transfer of credit risk of a reference asset from the protection buyer to the protection seller. The protection buyer makes one or more payments to the seller in exchange for the seller's obligation to make a payment to the buyer contingent upon the occurrence of a pre-defined credit event related to a specified reference entity or an underlying pool of liquid corporate issuers.

- 7.1 The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognized on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instrument and, therefore, do not indicate the Fund's exposure to credit or price risks. The fair values of derivative instruments are normally zero or negligible at inception and the subsequent change in value is favourable

(derivative assets) or unfavourable (derivative liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate notional amount of derivative financial instruments, the extent to which the instruments are favourable and unfavourable and, thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

7.2 The notional amounts of the derivative financial instruments and their corresponding gross positive (derivative receivable) and negative (derivative payable) fair values at balance sheet date, are analysed below. The following table summarises the notional amounts of derivative financial instruments held at the balance sheet date:

	2018			2017		
	Notional Amount	Fair Value		Notional Amount	Fair Value	
		Receivable	Payable		Receivable	Payable
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Foreign exchange contracts</b>						
Forwards	1,606,615	6,981	2,862	1,218,961	4,137	2,598
Options	14,694	86	6	-	-	-
<b>Interest rate contracts</b>						
Futures	197,712	815	1,089	118,970	103	554
Swaps	21,715	625	-	16,071	96	15
Forwards	7,245	54	34	-	-	-
<b>Equity-related contracts</b>						
Futures	141,546	2,214	1,284	147,118	823	418
Swaps	401,143	-	9,273	362,524	709	420
<b>Commodity-related contracts</b>						
Futures	101,328	5,643	1,093	89,342	1,132	1,786
<b>Other derivatives</b>						
Credit default swaps	3,002	14	112	38,806	21	689
	<u>2,495,000</u>	<u>16,432</u>	<u>15,753</u>	<u>1,991,792</u>	<u>7,021</u>	<u>6,480</u>

## 8 RELATED PARTY TRANSACTIONS

8.1 The Fund maintains a non-interest bearing current account with the Authority to facilitate grant disbursements. The Fund's current account balance with the Authority as at 31 March 2018 was \$0.6 million (31 March 2017: \$0.1 million).

- 8.2 The Fund also placed deposits with the Authority, in the ordinary course of business and at arm's length, earning interest income disclosed below:

	<u>2018</u> \$'000	<u>2017</u> \$'000
Interest Income	<u>323</u>	<u>289</u>

The Fund's deposit balance with the Authority as at 31 March 2018 was \$48.9 million (31 March 2017: \$36.0 million).

## **9 OTHER EXPENSES**

Other expenses include audit fees amounting to \$0.12 million (31 March 2017: \$0.13 million) payable by the Fund.

## **10 COMMITMENTS**

- 10.1 The Fund has outstanding grant commitments, totalling \$90.9 million as at 31 March 2018 (31 March 2017: \$76.9 million).
- 10.2 As at 31 March 2018, the Fund has a remaining commitment to invest up to US\$22.9 million (\$30.0 million) (31 March 2017: US\$24.3 million [\$34.0 million]) in an infrastructure fund.

## **11 NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS**

New or revised accounting standards and interpretations to existing standards have been issued that are relevant for the Fund's accounting periods beginning after 1 April 2017 or later periods and which the Fund has not early adopted. The following new or revised accounting standards that are applicable, are not expected to have a significant impact on the Fund's financial statements.

Effective for the Fund's accounting periods beginning on or after 1 April 2018

### FRS 109 Financial Instruments

FRS 109 replaces the existing guidance in FRS 39 Financial Instruments: Recognition and Measurement. It includes revised guidance on the classification and measurement of financial instruments and introduces a new expected credit loss model for impairment of financial assets as well as new requirements for general hedge accounting.

#### Classification and measurement

FRS 109 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). Classification of

financial assets under FRS 109 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. FRS 109 largely retains the existing requirements in FRS 39 for the classification of financial liabilities.

The Fund expects the current measurement approach for most of its financial assets and liabilities to remain unchanged upon the adoption of FRS 109, and does not expect the application of the classification and measurement requirements under FRS 109 to have a significant impact on its financial statements.

#### Impairment

FRS 109 replaces the incurred loss model in FRS 39 with an expected credit loss model. The new impairment model applies to financial assets measured at amortised cost, debt instruments measured at FVOCI, lease receivables, and certain loan commitments and financial guarantee contracts. Under the expected credit loss model, it will no longer be necessary for a credit event to have occurred before credit losses are recognised. Instead, at each reporting date, an entity is required to measure either a 12-month expected credit loss or a lifetime expected credit loss, depending on the changes in credit risk since initial recognition.

The Fund does not expect the application of the expected credit loss model under FRS 109 to have a significant impact on its financial statements.

FRS 109 also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Fund's disclosures about its financial instruments in the financial statements.

## **12 AUTHORISATION OF FINANCIAL STATEMENTS**

The financial statements for the year ended 31 March 2018 were authorised by the Minister-in-charge for issuance and signed by the Minister and Managing Director of Monetary Authority of Singapore on 21 June 2018.