

Comments on Sovereign Wealth Funds
by Dr Tony Tan Keng Yam
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1. GIC's view on the issue of transparency among the Sovereign Wealth Funds (SWFs) include the following:

- There is a case for further disclosure on the part of SWFs, in the interest of transparency. Such disclosure can include clarity on the relationship between SWFs and their respective governments, their investment objectives and general strategies, and their internal governance and risk management practices.
- Recipient countries should not adopt policies that inhibit cross-border investments. Reciprocity in keeping markets open for foreign investments would be desirable. "Financial protectionism" should be avoided.
- All players in the global financial markets should be treated equally. SWFs should not be discriminated against. SWFs could be seen as contributing to financial stability because of their focus on well-diversified portfolios, long-terms returns, and virtually no leverage. On the other hand, for example, global hedge funds, operating with substantial leverage, control larger assets than SWFs and tend to trade actively.

- Any guidelines for SWFs should encourage SWFs to operate according to commercial principles with a long-term orientation, free from political motivations.

2. Singapore will participate actively in efforts to formulate a set of principles and best practices for SWFs. GIC believes that it can contribute in a positive way to the framework for greater disclosure.