

'Use CPF money to help liven up local stock market'

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Business leaders want the Government to use Central Provident Fund (CPF) money to revitalise the stagnant stock market and provide more capital for local companies.

The Singapore Business Federation (SBF) said the CPF money should be managed separately from the GIC fund pool to allow domestic investments. "There is scope to consider having pension funds investing in the local stock market. Currently, our CPF money is pooled with our reserves and managed by GIC," the SBF said in its position paper released yesterday to the Future Economy Committee.

The paper proposed a list of recommendations to shape a pro-business economic future, including making the "moribund" stock market more vibrant again.

"Unlike other jurisdictions where their pension funds have provided strong support for their stock market, Singapore rides against the wave by specifically stating as a policy that the funds managed by GIC are to be invested abroad," it said.

CPF money is an indirect source of funds for GIC investments. It is invested in Special Singapore Government Securities, which guarantee a fixed return to residents while providing capital for GIC investment. GIC invests only in foreign markets.

The CPF Investment Scheme allows an individual to invest in selected shares, but only with money in the Ordinary Account.

"The Government should consider separating the CPF component and managing it differently as how pension funds are managed. This will free these funds... and will likely result in some investments in the Singapore market," the SBF noted.

This may help liven up the local stock market to provide "an important source of capital for enterprises, including our local enterprises, to fund their expansion", it added.

Lee Kuan Yew School of Public Policy research fellow Christopher Gee, however, advised caution: "The notion that domestic savings should be used to invest in domestic industries has a certain appeal, but it is inappropriate. The role of CPF is to provide guaranteed, zero-risk return to residents; investment in private ventures will expose the CPF money to more risks and fluctuation."

Securities Investors Association Singapore chief executive David Gerald added: "A CPF member would rightfully expect better returns on CPF investments. The overseas investments have, over the years, given better returns. The question is, can local companies give the same returns as overseas companies?"

The SBF also suggested efforts to create a more active bond market by lowering the bond denomination requirement to \$10,000 from the current \$250,000 minimum investment sum requirement.