



SGX Enhanced Listing Rules to Strengthen Corporate Governance Practice

Singapore Exchange Ltd (“SGX”) today announced amendments to listing rules to strengthen corporate governance practices and foster greater corporate disclosure. These amendments are undertaken to keep abreast of the challenges and developments of the industry and are part of SGX’s ongoing efforts to enhance the quality of the marketplace.

Consultation for these rule amendments concluded in January 2010 (“Consultation”) and SGX received overwhelming response on many of the proposals consulted. Care was taken to explore possible alternatives to address regulatory concerns highlighted and appropriately re-calibrate the proposed rules.

The amendments from this are effective from 29 September 2011 and will apply to the Mainboard Listing Rules. The same amendments will apply to the Catalist Rules where applicable.

The key amendments include:-

Strengthening Corporate Governance and Safeguarding Shareholders’ Interests

- (i) Issuers are to have a robust and effective system of internal controls that addresses financial, operational and compliance risks [Rule 719].
- (ii) Disclosure of issuer’s loan agreements that make reference to control or controlling shareholder interest. Issuers with such loan agreements are to require an undertaking from their controlling shareholders to provide notification when share pledging arrangements are entered into such that details of the pledge can be disclosed by the issuer [Rule 704(31) and Rule 728].
- (iii) Disclosing information relating to the appointment of and changes to the legal representative(s) (or person(s) of equivalent authority) [Rule 610(7) and Rule 704(11)].
- (iv) Disclose whether any of the issuer’s independent directors has been appointed to the board of the issuer’s principal subsidiaries based in jurisdictions other than Singapore. On an ongoing basis, announcement is required for the appointment and cessation of such independent directors to the board of these principal subsidiaries [Rule 610(8) and Rule 704(12)].
- (v) Unless approved by the Exchange, no transfer of securities will be allowed during a trading suspension [Rule 729].

Role of Board Directors, Key Executive Officers and Auditors

- (vi) Under specific circumstances, such as where the issuer is the subject of an investigation of irregularities or other wrongdoing, the Exchange’s approval may be required for appointments of directors, chief executive officers (CEOs) and chief financial officers (CFOs). The Exchange’s right to take action against directors or key executive officers, such as public censure or objecting to their appointments to the boards of other issuers is also codified in this rule. [Rule 720].
- (vii) Requiring a negative confirmation from the audit committee of the issuer on the character and integrity of the CFO [Rule 610(6)].
- (viii) Requiring auditing firms appointed by the issuer to be registered with and/or regulated by the Accounting and Corporate Regulatory Authority (“ACRA”) or an independent audit oversight body acceptable to the Exchange [Rule 712]. Existing issuers who are unable to comply with this rule will be given one year from the date of implementation of this rule to fulfill this requirement.

Providing Clarity and Codifying Current Practices

- (ix) Introducing new Practice Note 4.1 and 12.1 to provide clarity on the wordings for responsibility statements, use of Right of First Refusal Agreements and submission of profit estimates, projections and forecasts.

Pursuant to the Consultation we are also alerted to the practical problems associated with implementing some of the proposed rules. The key ones that we will not be proceeding with are as follows:-

(i) Singapore resident independent director on the board of overseas principal subsidiaries

Respondents highlighted the difficulty of sourcing for independent directors to serve on the boards of principal subsidiaries that operate in jurisdictions unfamiliar to a Singapore resident. To have better control and oversight of overseas subsidiaries, we will require issuers to have a robust and effective system of internal controls. Disclosure requirements have also been imposed on issuers to announce whether the board of the issuer has appointed its directors to the board of the principal subsidiaries based in jurisdictions other than Singapore.

(ii) Custodisation of shares with CDP or an acceptable depository agent

Respondents have highlighted enforceability issues as the listing rules govern only our relationship with issuers instead of the shareholders. In place of this requirement, we have codified the Exchange's powers to prohibit transfer of securities during a trading suspension in the rules.

(iii) Appointment of governance adviser (GA)

The role of the GA is too widely encompassing to be managed by a single professional and it could also be too demanding to impose on all newly-listed companies, including the well-governed ones. The Exchange retains the flexibility to require such an adviser on a "when-required" basis.

Additional amendments to Catalist Rules will be effected on 29 September 2011 so as to align with equivalent rules on the Mainboard.

Details of the rule amendments can be found [here](#).