

## **RESPONSE TO CONSULTATION PAPER ON REVIEW OF THE TOOLS USED TO DEAL WITH MARKET MANIPULATION RISK**

Singapore Exchange Regulation invites comments on this consultation paper. Please send your responses through any of the following means:

Email	listingrules@sgx.com
Mail	Singapore Exchange Regulation 11 North Buona Vista Drive #06-07, The Metropolis Tower 2 Singapore 138589 (Attention: Listing Policy & Product Admission)

Please include your full name and, where relevant, the organisation you are representing, as well as your email address or contact number so that we may contact you for clarification. Anonymous responses may be disregarded.

SGX may make public all or part of any written submission, and may disclose your identity. You may request confidential treatment for any part of the submission which is proprietary, confidential or commercially sensitive, by clearly marking such information. You may request not to be specifically identified.

Any policy or rule amendment may be subject to regulatory concurrence. For this purpose, you should note that notwithstanding any confidentiality request, we may share your response with the relevant regulator.

By sending a response, you are deemed to have consented to the collection, use and disclosure of personal data that is provided to us for the purpose of this consultation paper or other policy or rule proposals.

Please refer to the Consultation Paper for more details on the proposals.

**Respondent's Information**

<b>Name(s)</b>	CFA Society Singapore:  Chan Fook Leong, CFA  Larry Leung, CFA  Machteld Spek, CFA  Steven Ng, CFA  Umangkumar Milan Parikh, CFA  <i>* There were other CFA Society Singapore members who did not wish to be identified as a respondent</i>
<b>Organisation (if applicable)</b>	CFA Society Singapore
<b>Email Address(es)</b>	<a href="mailto:advocacy@cfasingapore.org">advocacy@cfasingapore.org</a>
<b>Contact Number(s)</b>	(65) 6323 6679
<b>Statement of Interest</b>	

**Disclosure of Identity**

Please check the box if you do not wish to be specifically identified as a respondent:

I/We do not wish to be specifically identified as a respondent.

## Consultation Question

### **Question 1: Removal of the MTP Framework**

Do you agree that SGX should remove the MTP framework? Please provide your reasons.

Please select one option:

Yes

No

Please give reasons for your view:

Investors tend to avoid investing in listed companies that have entered the Minimum Trading Price (MTP) watchlist. Due to the lower trading volume, such counters may have difficulty exiting the watchlist. Furthermore, with the MTP, it may become a self-fulfilling prophecy where investors shun counters trading below or close to 20 Singapore cents.

The other unintended consequences of the MTP are as follows:

- Listed companies may be forced to engage in reverse splits so as to escape/not fall into the MTP watchlist.
- The MTP framework gives companies an incentive to manipulate financial statements, and trading of the listed shares in order not to be included into the watchlist. This contradicts the original purpose of combating manipulation.
- Companies in the MTP watchlist may be penalised due to the negative connotation of being in the list. Shareholders may sell the shares in the listed company which will send the share price further south. Employee morale may take a beating. And customers including creditors may lose confidence in the listed companies.

To better prevent stock manipulation activities, the focus of monitoring should be on abnormal trading patterns and abnormal changes in share price and trading volume.

In 2018, CFA Society Singapore produced a research report on market manipulation around company announcements (mentioned in 3.3 of the SGX consultation paper dated 28 November 2019) which studied abnormal changes in share price and trading volume. The report placed emphasis on abnormal changes instead of the level of share price and trading volume.

The market manipulation report concluded that the regulatory measures have been effective in preventing broad-based market manipulation between 2011 and 2016 in various sectors, sub-sectors, market capitalization, listing board and domicile or S-chip categories. The report went on to recommend certain company announcement categories and sectors in which regulators may wish to strengthen oversight.