

Consultation Paper

# Review of the Tools Used to Deal with Market Manipulation Risk

28 November 2019

Singapore Exchange

## Responding to this Consultation Paper

Singapore Exchange Regulation invites comments on this consultation paper.

Please send your responses through any of the following means:

Mode	Correspondence Details
Email	<a href="mailto:listingrules@sgx.com">listingrules@sgx.com</a>
Mail	Singapore Exchange Regulation 11 North Buona Vista Drive #06-07, The Metropolis Tower 2 Singapore 138589 (Attention: Listing Policy & Product Admission)

Responses should include a summary of the major points, a statement of interest and reasoned explanations. Please identify the specific policy or rule proposal on which a comment is made. Please also 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.

SGX requests all comments by **27 December 2019**.

# Contents

I	Introduction .....	1
1	Scope of this Consultation Paper .....	1
2	Details of Proposals .....	2
II	Proposed Enhancements to the Listing Rules to Remove the MTP Framework.....	2
1	Background of the MTP Framework .....	2
2	Review of the MTP Framework.....	2
3	Removal of the MTP Framework .....	4
4	Transitional Arrangements .....	5
III	Amendments to the Listing Rules Relating to the Financial Watch-list .....	5
Appendix 1	Proposed Amendments to Listing Rules.....	7

# I Introduction

## 1 Background

- 1.1 SGX uses a suite of tools to address the risk of manipulation on our market. We have continually reviewed these tools, and sharpened them where necessary, to address the risk of manipulation in a more direct and targeted manner.
- 1.2 We have worked with our Members on several initiatives to strengthen surveillance capabilities across the ecosystem to better detect and prevent manipulation upstream. We launched a Member Surveillance Dashboard in 2016, to alert Members to potential market misconduct relating to that Member's trades. We published two Trade Surveillance Handbooks in 2016 and 2018 to improve Member's understanding of improper market misconduct and set out guidelines on how they can improve their internal surveillance programmes to detect and prevent misconduct. We collaborated with the Monetary Authority of Singapore ("MAS") in 2019 to jointly publish a Trade Surveillance Practice Guide, to set out principles on developing and implementing trade surveillance operations to enable Members to curb misconduct as early as possible.
- 1.3 We have also promoted vigilance on our market with more targeted and direct regulatory actions. We enhanced our Trade with Caution ("TWC") alerts in 2015, to make them more targeted and informative for investors. We paired a trading restriction with a TWC alert in 2019 when we reviewed that suspicious trading activity from a trading account was continuing or recurring over a protracted period.
- 1.4 With the implementation of these measures, the number of alerts triggered for manipulation has declined. SGX has meanwhile received requests to review the minimum trading price ("MTP") framework.

## 2 Scope of this Consultation Paper

- 2.1 SGX has reviewed the MTP framework for companies listed on the Mainboard of Singapore Exchange Securities Trading Limited ("SGX-ST"). SGX is proposing to remove the MTP framework based on findings of this review, and is now consulting the market.
- 2.2 The intent of the MTP framework, when it was proposed in 2014, was to reduce the risks of potential manipulation and excessive speculation on the market. Companies are identified as susceptible to manipulation if their 6-month volume weighted average price ("VWAP") is below S\$0.20 and their 6-month average daily market capitalisation is below S\$40 million. To reduce the risk of manipulation, these companies are placed on the MTP watch-list and expected to improve their share price and market capitalisation within 3 years, or be delisted.
- 2.3 Since then, SGX has developed other approaches and enhanced our tools in addressing manipulation risks. We have introduced tools to equip our members with resources to better detect and deter market misconduct further upstream. We have also refined our alerts to the public when we detect unusual trading behaviour. We believe that these tools are more effective in addressing the risk of market misconduct in a more targeted and direct manner.
- 2.4 In comparison, the MTP framework is a blunt regulatory tool in addressing the risks of manipulation. In our experience, only a small percentage of MTP watch-list companies have been the subject of a potential manipulation. Yet all MTP watch-list companies are subject to delisting.
- 2.5 We therefore believe that it is appropriate at this juncture to remove the MTP framework.

- 2.6 Separately, SGX is setting out our expectations in relation to the administration of the financial watch-list. Companies on the financial watch-list are expected to improve their financial performance and fundamentals before they are allowed to exit. To prevent circumvention of existing requirements, SGX will have regard to whether profits recorded by a company applying to exit the financial watch-list were due to non-recurrent income or items generated by activities outside the ordinary course of business, and whether the company's auditors have issued an adverse or disclaimed audit opinion or a material uncertainty relating to going concern on the company's accounts.
- 2.7 In addition, SGX has clarified that for the purposes of administering the SGX Listing Rules (Mainboard) ("**Listing Rules**"), we will ignore any artificial distortions to share prices that are not representative of true market demand for the purposes of assessing certain share price or market capitalisation thresholds in the Listing Rules, such as the market capitalisation test for significant transactions.
- 2.8 The proposal to remove the MTP framework is discussed in Section II. The changes in relation to our administration of the financial watch-list in Section III.

### **3 Details of Proposals**

- 3.1 The proposed amendments to the Listing Rules are set out in [Appendix 1](#).

## **II Proposed Amendments to the Listing Rules to Remove the MTP Framework**

### **1 Background of the MTP Framework**

- 1.1 The MTP framework was first proposed in February 2014, in a public consultation on the review of the securities market structure and practices that the MAS and SGX conducted. The objective of the framework was to address concerns that low-priced securities are more susceptible to excessive speculation and potential market manipulation.
- 1.2 Following a further public consultation on its detailed mechanism in September 2014, SGX implemented the MTP framework in March 2015. Our first MTP review was conducted on 1 March 2016, and companies that recorded a 6-month VWAP of below S\$0.20 were placed on the MTP watch-list.
- 1.3 SGX consulted on a further refinement of the MTP framework in August 2016, and announced in December 2016 the inclusion of an additional market capitalisation criterion. With the inclusion, companies with a 6-month VWAP below S\$0.20 will be placed on the MTP watch-list only if their 6-month average daily market capitalisation is below S\$40 million.
- 1.4 Companies are allowed to exit the MTP watch-list if their share price and their market capitalisation both recover, i.e., their 6-month VWAP rises to S\$0.20 or above and their 6-month average daily market capitalisation rises to S\$40 million or above. Companies have 36 months to exit the MTP watch-list, otherwise they will be delisted.

### **2 Review of the MTP Framework**

- 2.1 The purpose of the MTP framework is to reduce the risk of manipulation on our market. The framework identifies companies with low share price and market capitalisation as posing a higher risk of being susceptible to speculation or market abuses. These companies are placed on the MTP

watch-list, so as to warn investors of the potential risk of manipulation and excessive speculation. If their share price or market capitalisation are persistently low, these companies are delisted to reduce the overall risk of manipulation on our market.

#### *Other regulatory tools to combat market manipulation*

- 2.2 Apart from the MTP framework, SGX has a suite of other measures to deal with market manipulation. SGX will usually issue public queries to a company when abnormal trading activity is first detected. If our further review of the trading circumstances shows serious concerns, we may then escalate the matter by issuing a TWC alert to the market as a heightened red flag and if necessary, impose trading restrictions where the suspected manipulation continues or recurs over a protracted period. If we suspect that manipulation may have occurred, we will then refer the matter to the MAS for investigation.
- 2.3 Since the introduction of the MTP framework, SGX has enhanced our tools and developed other approaches for the purpose of addressing manipulation risks. In December 2015, SGX enhanced our TWC alerts to be more detailed and targeted at alerting investors of potential manipulation risks. After the enhancement, the alerts now contain details gathered from SGX's review of trading activities and are aimed at delivering higher-value information to investors to draw their attention to unusual trading activities that are developing.
- 2.4 SGX has also been working with our Members to equip them with resources to better detect and deter market misconduct upstream. We published Trade Surveillance Handbooks in September 2016 and May 2018 to improve our Members' understanding of improper market conduct and set out guidelines on how they can improve their internal surveillance programme to detect and prevent market misconduct.
- 2.5 Concurrently with the publication in September 2016, a Members' Surveillance Dashboard was also introduced to alert Members to potential market misconduct relating to that Member's trades. The dashboard contains statistics and information on activities which could be related to market misconduct, such as the number of alerts triggered by SGX's real-time surveillance system attributed to the Member's clients or trading representatives of the Member and the related trading account details.
- 2.6 In August 2019, SGX, together with the MAS, published an MAS-SGX Trade Surveillance Practice Guide. The guide sets out principles on developing and implementing robust trade surveillance operations to enable Members to curtail trading misconduct as early as possible. Guidance is provided to Members in assessing the adequacy of their trade surveillance operations as well as in identifying common types of suspicious trading activities.
- 2.7 Taken together, these initiatives promote greater vigilance and strengthen the capabilities for combating manipulation across the ecosystem. We believe these tools are able to address the risk of market misconduct in a targeted and direct manner.

#### *Consequences for companies on the MTP watch-list*

- 2.8 The MTP framework, in comparison, is a blunt tool in addressing the risk of manipulation. The framework relies on share price and market capitalisation criteria to determine a company's susceptibility to manipulation. But based on our review, we found that companies that meet the MTP criteria are, by and large, not manipulated. Specifically, amongst the 100 companies which are currently on the MTP watch-list<sup>1</sup>, 92 companies, or 92%, have not been the subject of a TWC alert or referral to MAS for potential manipulation<sup>2</sup>. Yet those companies will, by operation of the MTP framework, be subject to delisting. Delisting companies that have not been shown to be susceptible

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<sup>1</sup> SGX first placed companies on the MTP watch-list under the current entry criteria in June 2017.

<sup>2</sup> Since June 2017.

to manipulation will not serve the objective of reducing the risk of manipulation on our market.

- 2.9 Further, requiring the delisting of a company results in significant consequences for the company and its shareholders, in particular its minority shareholders, and is not a tool that SGX exercises lightly. We have also received feedback from some companies on the MTP watch-list that they face challenges including the reduced ability to borrow from banks as well as difficulties in developing business relationships. Given the above, and the fact that most companies on the MTP watch-list have not been shown to be susceptible to manipulation, we believe that delisting all companies on the MTP watch-list is excessive and may be detrimental to investor interests.

### **3 Removal of the MTP Framework**

- 3.1 As alluded to in our Consultation Paper to refine the MTP framework in August 2016, SGX continually reviews the framework to assess if the objectives of reducing risk of excessive speculation and potential manipulation can be achieved in a more calibrated and effective way.
- 3.2 Given the various matters highlighted in paragraph 2 above, and coupled with the development of more effective tools that target manipulation directly, we believe that the MTP framework should be removed.
- 3.3 Overall, we believe that manipulation risks are sufficiently managed in our market. An independent study conducted by the CFA Singapore<sup>3</sup> based on data from 2011 to 2016 noted that there is no evidence of broad-based manipulation on SGX. The study, which was published in 2018, concluded that any presence of manipulation on SGX can be attributed to isolated incidents and is not systemically prevalent at the market level nor at any sub-category of the market, including by market capitalisation group.
- 3.4 Separately, we note that some market commentators have suggested that the MTP framework be retained, but for other reasons, such as for maintaining market quality<sup>4</sup>. We believe that market quality can be better addressed by more targeted measures. For example, SGX actively suspends companies that are unable to continue as a going concern, companies that do not have a proper business (i.e. cash companies), as well as companies that have insufficient public float. SGX also delists companies with weak fundamentals, as identified through the financial watch-list. These are companies which have persistent losses and small market capitalisation. In this regard, we will also be making amendments to the Listing Rules to strengthen the regime and prevent circumvention of existing requirements. This will be discussed in Section III of this paper.
- 3.5 We further note that market commentators<sup>5</sup> have raised examples where companies with low-priced shares have tried to circumvent certain Listing Rule requirements. SGX has in place measures to prevent such circumvention. Two examples are set out below.
- 3.6 First, companies whose share prices are priced at the minimum tick may take advantage of the fact that their share price cannot fall any further to issue more shares, also at the minimum tick, which would easily allow them to increase market capitalisation. To counteract this, SGX does not allow the issuance of bonus shares or share splits if the daily weighted average price of the companies' shares, after adjusting for the bonus issue or the share split, will be less than a minimum threshold. This threshold is set at S\$0.50 for companies listed on the Mainboard<sup>6</sup> and S\$0.20 for companies

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<sup>3</sup> "Market Manipulation in Singapore", CFA Singapore, 5 February 2018, available at [https://www.cfasociety.org/singapore/Pages/Market\\_Manipulation.aspx](https://www.cfasociety.org/singapore/Pages/Market_Manipulation.aspx).

<sup>4</sup> "SGX should maintain a minimum trading price rule, but not for the originally intended reasons", Ben Paul, The Edge Online, 18 August 2019.

<sup>5</sup> "MTP requirement: Keep, modify or scrap?", Mak Yuen Teen, Governance for Stakeholders, 21 July 2019.

<sup>6</sup> Mainboard Rule 838.

listed on Catalist<sup>7</sup>, and is aligned with the minimum share price threshold set for initial public offerings<sup>8</sup>.

- 3.7 Second, companies with low-priced shares may artificially inflate their share price to gain advantages in the Listing Rules. For example, a company's share price may be artificially inflated when the company is proposing to undertake an acquisition, resulting in the proposed acquisition to be more likely classified<sup>9</sup> as a major transaction<sup>10</sup> (which would attract less stringent Listing Rule requirements) instead of a very substantial acquisition ("VSA")<sup>11</sup> (which would attract more stringent Listing Rule requirements)<sup>12</sup>. In such cases, SGX will ignore any artificial distortions to share prices which are not representative of true market demand and will apply the Listing Rules based on what would be genuine share price instead.
- 3.8 In addition to the above, we will continue to review the relevance and effectiveness of our policies and rules in maintaining market quality, and if regulatory changes are necessary, we will consult the market separately.

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

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

#### **4 Transitional Arrangements**

- 4.1 Given the proposed changes to the MTP framework, SGX will not be placing new entrants on the MTP watch-list until and unless it is determined that the MTP framework should be retained in its current form.
- 4.2 However, companies currently on the MTP watch-list may continue to exit under the existing criteria at SGX's half-yearly reviews. SGX will continue to conduct its half-yearly reviews for this purpose.
- 4.3 In addition, for these companies, a moratorium will be placed on the 36-month cure period effective from 1 December 2019. The 36-month cure period will continue to run if and when it is determined that the MTP framework should be retained in its current form.

### **III Amendments to the Listing Rules Relating to the Financial Watch-list**

- 1.1 We also take this opportunity to set out SGX's expectations in relation to companies applying to exit from the financial watch-list.
- 1.2 Currently, companies are placed on the financial watch-list if they record pre-tax losses for the past 3 consecutive financial years and have an average daily market capitalisation of less than S\$40

<sup>7</sup> Catalist Rule 838.

<sup>8</sup> Mainboard Rule 241 and Catalist Rule 429.

<sup>9</sup> An acquisition is classified as a major transaction if its value is more than 20% (for companies listed on the Mainboard) or 75% (for companies listed on Catalist) of the company's market capitalisation, and is classified as a VSA (as defined below) if its value is more than 100% of the company's market capitalisation.

<sup>10</sup> Mainboard Rule 1014 and Catalist Rule 1014.

<sup>11</sup> Mainboard Rule 1015 and Catalist Rule 1015.

<sup>12</sup> For example, VSAs are subject to SGX's approval and there are certain criteria that the target business must meet. For Mainboard companies, the target business must be profitable and have a healthy financial position, among other requirements.



million over the last 6 months. Companies are allowed to apply to SGX to exit the financial watch-list if they have recorded a pre-tax profit for the most recently completed financial year and have an average daily market capitalisation of S\$40 million or more over the last 6 months.

- 1.3 SGX expects that companies must demonstrate an improvement in their fundamentals and financial performance in order to exit the financial watch-list. Where a company undertakes exceptional transactions (e.g. one-off asset disposals) or makes changes to their accounting policies (e.g. write-back of provisions) resulting in the company achieving profitability to meet the exit requirements for the financial watch-list, this may not demonstrate actual improvement arising from the ordinary course of the company's business. In such a case, we may exercise our discretion to reject an application to exit the financial watch-list even if the company's accounts reflect profitability. To make this clear, we will set out in the relevant Practice Note that in assessing whether companies fulfill the profitability test, SGX will take into consideration such non-recurrent income or items generated by activities outside the ordinary course of business.
- 1.4 We will also clarify that SGX will not consider a company to have met the profitability test if its financial statements are subject to a disclaimer or adverse audit opinion, or if its auditors have highlighted a material uncertainty relating to going concern. In such situations, there may be insufficient basis for investors to make an informed decision that the financial statements present a true and fair view of the company's profitability, and therefore these financial statements may not be relied upon for the purpose of exiting the financial watch-list. For other situations, such as when the financial statements are subject to a qualified opinion, SGX will continue to retain our discretion to determine if a company should be allowed to exit from the financial watch-list, based on our assessment of the specific circumstances.
- 1.5 SGX will also be proposing certain miscellaneous amendments to the Listing Rules relating to our review of the financial watch-list. In 2016, SGX changed the frequency of our reviews of both watch-lists from quarterly to half-yearly. This was to align our review timing with the 6-month look-back period for assessing the company's eligibility to exit the watch-list. Appendix 13.1 of the Listing Rules, which provides a template for companies to announce entry into the financial watch-list, currently does not reflect this change in review frequency and will be amended accordingly.

# Appendix 1 Proposed Amendments to Listing Rules

Legend: Deletions are struck-through and insertions are underlined.

## Chapter 13 Trading Halt, Suspension and Delisting

### Part V Watch-List

- 1310 This Part applies to issuers listed on the SGX Mainboard, except for investment funds (whether constituted as collective investment schemes or otherwise), business trusts, global depository receipts, debt securities, ~~exchange traded funds~~, structured warrants, and companies with secondary listings on the Exchange, ~~and issuers listed or have completed a reverse take-over for less than 6 months.~~
- 1311 The Exchange will place an issuer on the watch-list, if it records ~~under either of the following:-~~
- (1) ~~Financial Entry Criteria~~
- ~~Records~~ pre-tax losses for the three (3) most recently completed consecutive financial years (based on audited full year consolidated accounts); and an average daily market capitalisation of less than S\$40 million over the last 6 months.
- (2) ~~Minimum Trading Price (“MTP”) Entry Criteria~~
- ~~Records a volume weighted average price of less than S\$0.20 and an average daily market capitalisation of less than S\$40 million over the last 6 months. Reference is made to Paragraph 2.4 of Practice Note 13.2 for the calculation methodology.~~
- ~~For the purpose of this rule, real estate investment trusts and business trusts are subject to the MTP Entry Criteria but not the Financial Entry Criteria.~~
- 1312 Upon recording a pre-tax loss for the third and subsequent consecutive financial year (based on audited full year consolidated accounts), an issuer must immediately announce the fact through the SGXNet. The announcement must provide the information as set out in Appendix 13.1.
- 1313 If an issuer is placed on the watch-list, it must:-
- (1) immediately announce the fact through the SGXNet; and
- (2) for the period in which it remains on the watch-list, provide the market with a quarterly update on its efforts and the progress made in meeting the exit criteria of the watch-list, including where applicable its financial situation, its future direction, or other material development that may have a significant impact on its financial position. If any material development occurs between the quarterly updates, it must be announced immediately.
- 1314 An issuer on the watch-list may apply to the Exchange to be removed from the watch-list if it ~~satisfies the following requirements, where applicable:-~~
- (1) ~~Financial Exit Criteria~~
- ~~The issuer~~ records consolidated pre-tax profit for the most recently completed financial year (based on ~~the latest~~ audited full year consolidated ~~audited~~ accounts) and has an average daily market capitalisation of S\$40 million or more over the last 6 months.

~~(2)~~ — MTP Exit Criteria

~~The issuer records a volume-weighted average price of at least S\$0.20 and an average daily market capitalisation of S\$40 million or more over the last 6 months.~~

- 1315 An issuer must take active steps to meet the requirements of Rule 1314. If the issuer fails to comply with Rule 1314 within 36 months of the date on which it was placed on the watch-list, the Exchange may either remove the issuer from the Official List, or suspend trading of the listed securities of the issuer (without the agreement of the issuer) with a view to removing the issuer from the Official List.
- 1316 While the issuer remains on the watch-list, trading in its securities will continue, unless a trading halt or a suspension is, or has been previously effected.

### Appendix 13.1 Notice of 3 Consecutive Years' Losses

Name of Issuer: \_\_\_\_\_ hereby gives notice that:

- (i) it has recorded pre-tax losses for the three (3) most recently completed consecutive financial years (based on audited full year consolidated accounts); and
- (ii) its latest 6-month average daily market capitalisation as at \_\_\_\_\_ is \_\_\_\_\_.

The Company wishes to draw investors' attention to Rule 1311~~(1)~~ of the Listing Manual which states that the Exchange will place an issuer on a watch-list if it records pre-tax losses for the three (3) most recently completed consecutive financial years (based on audited full year consolidated accounts); and an average daily market capitalisation of less than S\$40 million over the last 6 months.

Investors should also note that pursuant to Practice Note 13.2 Paragraph ~~2.1~~ 2.2, the Exchange conducts ~~quarterly~~ half-yearly reviews to identify issuers to be included on the watch-list. The ~~quarterly~~ half-yearly review will take place on the first market day of ~~March, June, September~~ and December of each year. The Company will make an immediate announcement should it be notified by the Exchange that it will be placed on the watch-list.

### Practice Note 13.2 Watch-List

#### 1. Introduction

- 1.1 The watch-list seeks to heighten transparency of an issuer's financial ~~and share price~~ performance. The 2 main purposes of the watch-list are to:
- (i) instill discipline in issuers to administer their financial ~~and share price~~ performance for continued compliance with the listing rules; and
- (ii) alert investors to the risk of being invested in companies that may face delisting.
- 1.2 The inclusion criteria for the watch-list are as set out in Rule 1311. ~~categorized as follow:~~
- ~~(i) — loss-making issuers with small market capitalisation; and~~

~~(ii) issuers with low priced securities and small market capitalisation that fail to meet the minimum trading price requirement.~~

1.3 This Practice Note sets out the guidelines for inclusion of issuers on the watch-list and removal of issuers from the watch-list.

## 2. Half-Yearly Reviews

2.1 Rule 1311 states that an issuer will be placed on the watch-list if it records ~~under either of the following:~~

~~(i) Financial Entry Criteria~~

~~Records pre-tax losses for the three (3) most recently completed consecutive financial years (based on audited full year consolidated accounts); and an average daily market capitalisation of less than S\$40 million over the last 6 months.~~

~~(ii) MTP Entry Criteria~~

~~Records a volume-weighted average price ("VWAP") of less than S\$0.20 and an average daily market capitalisation of less than S\$40 million over the last 6 months.~~

~~For the purpose of this rule, real estate investment trusts and business trusts are subject to the MTP Entry Criteria but not the Financial Entry Criteria.~~

2.2 The Exchange will conduct half-yearly reviews to identify issuers to be included on the watch-list. The half-yearly review will take place on the first market day of June and December of each year. Upon identifying an issuer for inclusion on the watch-list, the Exchange will promptly notify the issuer of its status.

2.3 The table below shows how the inclusion criteria are applied at each of the review dates.

<del>Watch-list</del> <u>Watch-List</u> Review Date	Financial Entry Criteria	MTP Entry Criteria
First market day of June	Loss-making issuers for the three (3) most recently completed consecutive financial years (based on audited full year consolidated accounts) with average daily market capitalisation of less than S\$40 million from 1 December – 31 May	<del>Issuer with VWAP below S\$0.20 and average daily market capitalisation of less than S\$40 million for the period 1 December – 31 May</del>
First market day of December	Loss-making issuers for the three (3) most recently completed consecutive financial years (based on audited full year consolidated accounts) with average daily market capitalisation of less than S\$40 million from 1 June – 30 November	<del>Issuer with VWAP below S\$0.20 and average daily market capitalisation of less than S\$40 million for the period 1 June – 30 November</del>

2.4 ~~VWAP is computed based on total value of securities traded for the 6 months under review divided by the total volume traded for the 6 months adjusted for any corporate actions. This formula applies~~

regardless of the number of trading days during the 6-month review period (i.e. where the securities are thinly traded or trading is halted / suspended for a period of time).

- ~~2.54~~ ~~The 6-month VWAP of the issuers are made available on the Exchange's website.~~ Daily updated market capitalisation figures are also made available on the Exchange's website. Audited financial results of issuers can be found in annual reports which are available on the Exchange's website.
- ~~2.65~~ ~~Issuers are expected to take proactive steps to exit the watch-list. Issuers seeking to exit the watch-list via a share consolidation exercise should consolidate its shares to achieve a theoretical share price of at least S\$0.25 to cater for price fluctuations.~~
- ~~2.7~~ ~~For issuers who are traded in dual currencies on SGX-ST, the issuer will be placed on the watch-list based on the MTP Entry Criteria only if the VWAP is less than S\$0.20 over the last 6 months for both counters. For issuers who are not quoted in Singapore dollars, the conversion will be based on the Reuters exchange rate as of the market day preceding the review date.~~
- ~~2.8~~ ~~For issuers with dual primary listing, only the trades conducted for its listing on SGX-ST will be taken into account for calculating the 6-month VWAP.~~

### **3. Removal from the Watch-List**

- ~~3.1~~ ~~An issuer which enters into the watch-list based on the Financial Entry Criteria will be removed if it meets the exit criteria in Rule 1314, Financial Exit Criteria. Likewise, an issuer placed under the MTP Entry Criteria of the watch-list will be removed based on the MTP Exit Criteria. An issuer which entered into the watch-list based on the Financial Entry Criteria cannot exit from the watch-list by a transfer to Catalist unless otherwise permitted by the Exchange in exceptional circumstances (for example, if the company is profitable, has a viable business, is able to operate as a going concern and has adequate working capital). An issuer which entered into the watch-list based only on the MTP Entry Criteria can exit from the watch-list by a transfer to Catalist.~~
- ~~3.2~~ ~~An If the issuer is placed on the watch-list based on the Financial Entry Criteria, it will have to submit an application to the Exchange within the cure period for removal from the watch-list. The Exchange may reject an application for exit from the watch-list if the Exchange is of the opinion that there are other factors that justify the continued inclusion of the issuer in the watch-list or the delisting of the issuer.~~
- ~~3.3~~ ~~Review for removal from watch-list based on MTP Exit Criteria takes place on a half-yearly basis on the review dates (i.e. first market day of June and December of each year). The issuer is not required to apply for removal. The Exchange will notify the issuer of the removal from the watch-list. Issuers are required to announce the removal via SGXNET upon receipt of the notification. In reviewing the issuer's application, the Exchange will have regard to whether the audited full year consolidated accounts are subject to an adverse audit opinion, a disclaimer of opinion, or a material uncertainty related to going concern, or if pre-tax profits include non-recurrent income or items generated by activities outside the ordinary course of business.~~
- ~~3.4~~ ~~Issuers placed on the watch-list under the MTP Entry Criteria may apply, on the first market day of March and September each year, to the Exchange for a review of their eligibility to exit the watch-list under the MTP Exit Criteria. This may include actions taken by the issuer which have enabled it to comply with the MTP Exit Criteria. If the application is approved by the Exchange, the issuer must immediately announce the effective date of its exit from the watch-list under the MTP Exit Criteria and the conditions imposed by the Exchange, if any, upon which the approval is granted. The Exchange will consider each application on its merits, taking into account the circumstances of each case.~~

#### 4. Extension to the 36-month cure period

- 4.1 Pursuant to Rule 1315, if the issuer fails to comply with the ~~relevant~~ exit criteria within the 36-month cure period, the Exchange may either remove the issuer from the Official List, or suspend trading of the listed securities of the issuer (without the agreement of the issuer) with a view to removing the issuer from the Official List.
- 4.2 An issuer may apply to the Exchange for an extension to the 36-month cure period and the Exchange may, if the circumstances warrant it, grant an extension:
- (1) of up to 12 months if the issuer satisfies at least one of the requirements under Rule 1314~~(1)~~ and has achieved healthy cash flow from its operating activities (based on audited full year consolidated accounts for the most recently completed financial year ~~its latest consolidated audited financial statements~~);
  - (2) of up to 3 months if the issuer has entered into a legally binding agreement to acquire asset(s) that enable the enlarged group to comply with the requirements in Rule 210(2)(a) or (b) and the transaction is expected to be completed within 3 months; ~~or~~
  - (3) if trading of its securities was suspended pursuant to Rule 1303(3) during a period preceding the end of the 36-month cure period. The period of extension granted by the Exchange, if any, shall not exceed that which is required to compute the issuer's average daily market capitalisation over a period of 6 months; or
  - (4) if the issuer has completed a ~~share consolidation exercise or~~ corporate action (with the aim ~~to raise its share price of exiting the watch-list~~) less than 6 months before the expiry of the cure period.
- 4.3 ~~An issuer's application to extend the cure period for meeting the MTP Exit Criteria must be made in blocks of 6 months so that it will correspond with subsequent review dates.~~
- 4.4~~3~~ Any application for extension of time must be submitted to the Exchange at least 1 month before expiry of the cure period.
- 4.5 ~~The Exchange may reject an application for exit from the watch-list if the Exchange is of the opinion that there are other factors that justify the continued inclusion of the issuer in the watch-list.~~

#### 5. ~~[Deleted] Illustrations on Administering the Watch list~~

- 5.1 ~~The illustrations below, though not exhaustive, seek to provide issuers with guidance on how the Exchange administers the watch-list.~~

##### Illustration 1

~~Where an issuer's shares are not traded for a single day during the 6-month review period, review of the issuer's 6-month VWAP for entry into the watch-list will be deferred till the next half-yearly review where trades are available. The deferment also applies where an issuer with 3 consecutive years' losses, resumes trading for less than 6 months after prolonged suspension (i.e. the issuer has been suspended for more than 6 months)~~

##### Illustration 2

~~Where an issuer's shares are traded for less than 6 months, review of the issuer for entry into the watch-list based on the MTP Entry Criteria will be based on the trades done over the 6-month period.~~

For example, if the issuer has only 2 months of trades over the 6-month review period, it will be reviewed based on the 2 months of trades over the 6-month period.

#### Illustration 3

~~An issuer can trigger both the Financial Entry Criteria and the MTP Entry Criteria concurrently. The issuer must comply with the respective exit criteria in order to exit from the watch-list. An issuer can be in a situation where it satisfies the Financial Exit Criteria but does not satisfy the MTP Exit Criteria (and vice versa). In this regard, it will continue to remain on the watch-list.~~

#### Illustration 4

~~An issuer can trigger the Financial Entry Criteria and the MTP Entry Criteria at different times. An issuer's compliance with the Financial Exit Criteria and the MTP Exit Criteria is assessed independently. Accordingly, the cure period for satisfying the Financial Exit Criteria and the MTP Exit Criteria will be applied separately.~~

~~For example, an issuer is placed on the watch-list after triggering the Financial Entry Criteria on 1 June 2016. At the review 12 months later on 1 June 2017, it also triggers the MTP Entry Criteria.~~

~~(i) — The issuer will be removed from the Official List if it is unable to satisfy the Financial Exit Criteria after 36 months from the date it is placed on the watch-list due to the Financial Entry Criteria (i.e. 1 June 2019). This is notwithstanding that the 36-month cure period for the issuer to comply with the MTP Exit Criteria (i.e. 1 June 2020) has yet to expire.~~

~~(ii) — If the issuer meets the Financial Exit Criteria during the 36-month cure period but is unable to exit from the watch-list due to its inability to satisfy the MTP Exit Criteria, the end date for the cure period will be 36 months from the date it triggers the MTP Entry Criteria (i.e. 1 June 2020).~~

#### Illustration 5

~~An issuer is placed on the watch-list for triggering both the Financial Entry Criteria and MTP Entry Criteria.~~

~~If an extension of time to exit from the watch-list is sought, the issuer must make clear which cure period they are seeking an extension for. For the avoidance of doubt, an extension of time may be sought for both cure periods concurrently.~~

~~Should the issuer apply and is granted an extension of time to satisfy the Financial Exit Criteria, the cure period to satisfy the MTP Exit Criteria will remain unchanged. The issuer will be removed from the Official List if it fails to meet the MTP Exit Criteria, notwithstanding that the extension for compliance with the Financial Exit Criteria has yet to expire. If the issuer succeeds in satisfying the MTP Exit Criteria, it must satisfy the Financial Exit Criteria before the extension expires. Otherwise, it will be removed from the Official List.~~

## **6. Cash Companies and Companies Suspended Pursuant to Rule 1303(3)**

- 6.1 For avoidance of doubt, an issuer that has been suspended pursuant to Rule 1303(2) or 1303(3) or has been allowed to trade pursuant to the requirements of Rule 1018(1) will not be included on the watch-list and will not be required to provide the notification pursuant to Rule 1312. Rules 1311 will be applicable from the date the issuer satisfies the requirements of Rules 1304 or is no longer a cash company pursuant to the requirements in Rule 1018(2).

- 6.2 Where an issuer has been placed on a watch-list pursuant to Rule 1311 and is subsequently suspended under Rules 1303(2) or 1303(3) or is allowed to trade subject to the requirements of Rule 1018(1), it will remain on the watch-list.
- (1) For the purposes of Rule 1314, the average daily market capitalisation will be computed based on the period commencing from the date the issuer satisfies the requirements of Rule 1304.
  - (2) The Exchange will remove the issuer from the Official List:
    - (a) at the end of the 36-month cure period which commences from the time it was placed on the watch-list (subject to any extension granted); or
    - (b) before the expiry of the 36-month cure period if it does not meet the requirements in Rule 1304 or 1018(2).



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