

Responses to Comments on Consultation Paper

Review of the Tools Used to Deal with Market Manipulation Risk

11 May 2020

Singapore Exchange

Contents

I	Introduction	1
1	Background	1
2	Summary of SGX's Responses	1
II	Comments Received and SGX's Responses	2
1	Removal of the MTP Framework.....	2
2	Strengthening the Financial Watch-list	3
3	Other Comments Received	4
III	Implementation of Amendments to Listing Rules.....	4
1	Implementation of Changes	4
Appendix 1	Respondents to the Consultation	5
Appendix 2	Amendments to the Mainboard Rules.....	6

I Introduction

1 Background

- 1.1 On 28 November 2019, SGX issued a consultation on “Review of the Tools Used to Deal with Market Manipulation Risk”. In the consultation, SGX invited feedback on the removal of the minimum trading price (“MTP”) framework and set out our expectations in relation to the administration of the financial watch-list.
- 1.2 The MTP framework was first proposed in February 2014, to address concerns that low-priced securities are more susceptible to excessive speculation and potential market manipulation. Since the MTP framework was introduced, SGX has developed other approaches and enhanced our tools in addressing manipulation risks in a more targeted and direct manner.
- 1.3 The MTP framework, in comparison, has turned out to be a blunt tool in addressing the risk of manipulation. The shares of most of the issuers in the MTP watch-list have not been found to be manipulated. Yet these issuers are subject to delisting. Issuers on the MTP watch-list have also faced challenges in borrowing from banks and developing business relationships.
- 1.4 Given the circumstances, SGX proposed that the MTP framework be removed and invited feedback on this proposal.
- 1.5 In the consultation, SGX also set out our expectations for the administration of the financial watch-list, which is targeted at issuers with poor fundamentals. We highlighted that SGX will have regard to whether profits recorded by an issuer 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 issuer’s auditors have issued an adverse or disclaimed audit opinion or a material uncertainty relating to going concern on the issuer’s accounts.
- 1.6 In addition, SGX clarified that we will ignore any artificial distortions to share prices that are not representative of true market demand for purposes of assessing certain share price or market capitalisation thresholds in the SGX-ST Listing Rules (Mainboard) (“**Mainboard Rules**”), such as the market capitalisation test for significant transactions. We highlight that this approach will also apply in assessing the share price or market capitalisation thresholds in the SGX-ST Listing Rules (Catalist) (“**Catalist Rules**”).
- 1.7 The consultation closed on 27 December 2019. We thank all respondents for providing comments to the consultation. The list of respondents can be found in [Appendix 1](#).

2 Summary

- 2.1 Almost all the respondents supported the removal of the MTP framework. Many respondents were of the view that the MTP framework should be removed as it has generated unintended consequences for issuers on the MTP watch-list and is a blunt tool in addressing the risk of market manipulation.
- 2.2 Respondents also supported the amendments to prohibit issuers from exiting the the financial watch-list if their financial statements do not demonstrate profitability from the ordinary course of business or if such statements are subject to a disclaimer or adverse audit opinion. Respondents suggested other factors we should consider in our assessment. In this regard, we clarify that SGX makes an assessment of the specific circumstances when considering each issuer’s application to exit the financial watch-list. For example, if there are concerns on the veracity of the financial statements

which is subject to an ongoing review or investigation, we will likely reject the application.

- 2.3 SGX also received suggestions to increase regulatory oversight on issuers which receive a disclaimer or qualified audit opinion on their financial statements and issuers with a poor compliance track record. In that regard, we highlight that SGX has enhanced our regulatory regime on quarterly reporting (“QR”) to take a more targeted approach on issuers with higher risks.
- 2.4 SGX notes the support for the changes proposed in the consultation and will implement the changes as proposed. These changes also include amendments to clarify that SGX will take into consideration artificial distortions to share price in assessing whether the issuer has fulfilled the market capitalisation test for exiting the financial watch-list. The amendments to the Mainboard Rules are in [Appendix 2](#). The amendments will be effective on 1 June 2020.

II Comments Received and SGX’s Responses

1 Removal of the MTP Framework

Question 1: Removal of the MTP Framework

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

Comments Received

- 1.1 Almost all the respondents supported the removal of the MTP framework. These respondents comprise mainly issuers, market professionals and retail investors.
- 1.2 Respondents were generally of the view that the MTP framework is a blunt tool in addressing market manipulation and that share price should not be the focus of a market manipulation safeguard. They were of the view that the other tools developed by SGX, such as the enhanced Trade with Caution alerts and Member Surveillance Dashboard, are more targeted and effective.
- 1.3 Respondents also supported the removal of the MTP framework on the basis that the framework has generated unintended consequences for issuers. Several respondents observed that issuers on the MTP watch-list have had difficulty meeting the exit criteria, despite undertaking measures to increase their share price and market capitalisation. Respondents were of the view that it would be unfair to delist issuers based on their share price, as share price is ultimately determined by many factors outside of issuers’ control, such as trading liquidity, market sentiment and macro-economic factors. A few respondents also highlighted that being on the MTP watch-list hurts an issuer’s reputation, causing issuers to face challenges in obtaining financing from banks and developing business relationships, thereby limiting their prospects.
- 1.4 Two respondents were of the view that the MTP framework should be retained. Both are retail investors. One believed that the MTP watch-list serves as an effective ex-ante safeguard to alert retail investors of the risks of investing in low-priced shares. The respondent also said that there was no proof that the other tools adopted by SGX have prevented broad-based market manipulation or that broad-based market manipulation would not occur upon removal of the MTP framework. The other suggested that the MTP framework be retained as a means to delist issuers with low-priced shares and poor fundamentals.

SGX’s Response

- 1.5 SGX notes the majority support for the removal of the MTP framework and will implement the changes proposed.

- 1.6 We note the feedback that the MTP framework may serve as an ex-ante safeguard to alert retail investors of the risks of investing in low-priced shares. However, as highlighted in the consultation and as indicated by the feedback received from other respondents, there is evidence that the framework is overinclusive, capturing many issuers that are not prone to manipulation. Share price information is also publicly available for individual investors to make their investment decisions. On the other hand, as has been pointed out by other respondents, issuers once placed on the MTP watch-list are stigmatised, face various challenges and see their business prospects limited. These problems would have a real impact on shareholders as well.
- 1.7 As highlighted in the consultation, SGX has developed other approaches to deal with market manipulation, which we believe are more targeted and effective. Since the anti-manipulation tools were implemented, the number of manipulation alerts triggered on our market has declined. We will continue to monitor the market closely and enhance our tools to prevent and detect manipulation in a targeted and effective manner. This includes developing new capabilities, such as the deployment of artificial intelligence in our real-time monitoring system since the start of 2020 to better isolate unusual activity, thereby reducing market noise and increasing the value of our trading queries and alerts.
- 1.8 We also note the feedback that the MTP framework should be used to delist issuers with low-priced shares and poor fundamentals. We highlight that the financial performance of issuers is addressed with the financial watch-list. Issuers 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 million over the last 6 months. These issuers must improve their financial performance and recover their market capitalisation or be subject to delisting after 3 years. To further strengthen the financial watch-list regime, we will be making various enhancements as discussed in the consultation and which will be further elaborated on in paragraph 2 of this Part.

2 Strengthening the Financial Watch-list

- 2.1 SGX will implement the amendments to the Mainboard Rules to strengthen the financial watch-list in the areas set out in the consultation¹.
- 2.2 Practice Note 13.2 of the Mainboard Rules will be amended to make clear that SGX will exclude non-recurrent income or income generated by activities outside the ordinary course of business in assessing whether issuers fulfill the profitability test in exiting the financial watch-list. For example, income arising from a write back of an impairment provision will generally be considered as non-recurrent and will be excluded from the issuer's profits. In this regard, SGX will reject an application to exit the financial watch-list if we are of the view that the issuer's accounts does not demonstrate profitability arising from the ordinary course of business.
- 2.3 The Practice Note will also be amended to make clear that SGX will not consider an issuer to have met the profitability test for exiting the financial watch-list if its financial statements are subject to a modified audit opinion, or if its auditors have highlighted a material uncertainty relating to going concern. Given the material irregularities or uncertainties concerning the issuer's financials under these circumstances, we believe that these financial statements should not be relied upon for the purpose of exiting the financial watch-list.
- 2.4 As highlighted in the consultation, SGX will ignore artificial distortions to share prices that are not representative of true market demand for assessing the share price or market capitalisation tests in

¹ Given the drastic global deterioration in business conditions for all companies caused by COVID-19, SGX has announced a provisional suspension of the half-yearly reviews on the first market days of June 2020 and December 2020 to place issuers on the financial watch-list. Refer to the announcement available here: <https://www.sgx.com/media-centre/20200408-sgx-regco-announces-measures-support-issuers-amid-challenging-covid-19>. Companies which meet the amended exit criteria will continue to be able to exit the financial watch-list.

the Mainboard Rules. Accordingly, the Practice Note will be amended to highlight that the Exchange will take into consideration whether an issuer's share price during the relevant period has been determined by artificial means in assessing whether the issuer has fulfilled the market capitalisation test for exiting the financial watch-list.

- 2.5 We received two comments from respondents on these proposed amendments. One respondent expressed support as it will result in stronger vigilance over companies that attempt to game the exit criteria. The other respondent suggested that SGX also consider, in granting approval to exit the financial watch-list, if the issuer is undergoing an independent review, special audit or other investigations by a regulatory authority. We note the feedback and highlight that SGX will examine the specific circumstances in granting approval for an issuer to exit the financial watch-list. If there are regulatory concerns, we are likely to reject the application.
- 2.6 In addition, we will implement an amendment to Appendix 13.1 of the Mainboard Rules to reflect the change in SGX's frequency of review of the financial watch-list² to be on a half-yearly basis.

3 Other Comments Received

- 3.1 Two respondents who supported the removal of the MTP framework suggested that SGX keep a tighter watch on issuers that have a disclaimer of audit opinion or qualified audit opinion on their financial statements and issuers that have a poor compliance track record, including those which are a subject of a notice of compliance, public reprimand or ongoing investigation by a regulatory authority. A respondent further suggested that such issuers should be required to provide quarterly updates on their financial position or business operations.
- 3.2 We note the feedback and highlight that following the launch of this consultation, SGX has announced the revised risk-based QR framework³. Issuers that receive a modified audit opinion or where their auditors have expressed a material uncertainty relating to going concern will be required to publish their financial statements on a quarterly basis. Issuers that receive a modified audit opinion will also be required to provide quarterly updates on efforts to resolve their audit issues and to confirm that the impact of the audit issues on the financial statements have been adequately disclosed. SGX will also have the powers to require issuers with whom we have regulatory concerns to publish their financial statements on a quarterly basis. In this regard, we will consider whether there is a material breach of disclosure rules or whether there are concerns on the issuer which involve material financial impact. We may also take into account the issuer's compliance track record in exercising our powers. Issuers that are required to perform QR under the risk-based framework must continue doing so until their regulatory issues are resolved.

III Implementation

1 Implementation of Changes

- 1.1 The amendments to the Mainboard Rules will be effective on 1 June 2020. All issuers that are currently on the MTP watch-list will be removed from the MTP watch-list on the effective date.

² SGX revised the frequency of our review of the watch-list from a quarterly basis to a half-yearly basis in 2016.

³ Refer to SGX's Response Paper on Review of Quarterly Reporting Framework, available here: <https://www2.sgx.com/regulation/public-consultations/20180111-consultation-paper-quarterly-reporting-framework>.

Appendix 1 Respondents to the Consultation

SGX received comments from 23 respondents for the questions raised in the Consultation, of which five requested confidentiality. The respondents who agreed to be named are:

Casa Holdings Limited
CFA Society Singapore
DBS Bank Limited
GYP Properties Limited
Leslie Leow
Mak Yuen Teen
Martin Lee
Oceanus Group Limited
Pavillon Holdings Limited
Provenance Capital Limited
Qian Hu Corporation Limited
Rajah & Tann Singapore LLP
RHT Capital Private Limited
SAC Capital Private Limited
Thomas Lau and Emily Ho
Victor Looi
W Capital Markets Private Limited
WongPartnership LLP

Appendix 2 Amendments to the Mainboard 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 years (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. This Rule does not apply to an issuer that is already placed on the watch-list.

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 ~~2.12.2~~, 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.

Watch-list <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	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
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	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

- 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. To exit the watch-list, the issuer must have recorded profit in accordance with Rule 1314. In addition, to provide assurance that the issuer demonstrates actual profitability, the Exchange takes into account the audit opinion of the financial statements and the sustainability of the profit. Therefore, the Exchange will reject an application for exit from the watch-list if the issuer's latest audited full year consolidated accounts are subject to an adverse opinion, a qualified opinion, a disclaimer of opinion or the issuer's auditors have stated that a material uncertainty related to going concern exists. The Exchange will also exclude non-recurrent income and income generated by activities outside the ordinary course of business in assessing if the issuer has met the exit criteria in Rule 1314.~~
- 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. The issuer must also have an average daily market capitalisation of S\$40 million or more over the last 6 months in order to exit the watch-list in accordance with Rule 1314. The Exchange monitors trading of listed securities for unusual trading activity. The Exchange will consider if the issuer's share price during the relevant period has been determined by artificial means in assessing if the issuer has met the exit criteria in Rule 1314.~~

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 its audited full year consolidated accounts for the most recently completed financial year~~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. 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.

~~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.~~

~~4.43~~ 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. ~~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.
- (iii) 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.

65. Cash Companies and Companies Suspended Pursuant to Rules 1303(2) or 1303(3)

65.1 For avoidance of doubt, an issuer that has been suspended pursuant to Rules 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).

65.2 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 Rules 1304 or 1018(2).

Singapore Exchange

2 Shenton Way, #02-02 SGX Centre 1, Singapore 068804

main: +65 6236 8888

sgx.com

Singapore | Beijing | Chicago | Hong Kong | London | Mumbai | New York | San Francisco | Shanghai | Tokyo