



Monetary Authority of Singapore

Consultation Paper
P015-2025 – October 2025

Consultation Paper on Measures to Enhance Investor Recourse Avenues in Market Misconduct Cases



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1. Preface

- 1.1. Investor confidence and market integrity are fundamental to a well-functioning securities market. In shifting towards a more disclosure-based regime for Singapore's capital markets, it is necessary to consider measures to strengthen investor protection through enhancing investor recourse avenues against market misconduct¹. This gives investors greater confidence to participate in the securities market. The enhancement of investor recourse is intended to complement, not replace, public enforcement actions. The Monetary Authority of Singapore ("MAS") will continue to work with relevant authorities to pursue and take firm actions against wrongdoers.
- 1.2. Under Part 12 of the Securities and Futures Act 2001 ("SFA"), there are two ways for investors to seek compensation for losses arising from market misconduct.
 - (a) Under section 234 of the SFA, investors may bring a private action in Court for compensation ("**independent action**"); and
 - (b) Under section 236 of the SFA ("**piggyback provision**"), investors may apply to Court for compensation after the offender is convicted or a civil penalty order is made against him ("**piggyback action**").
- 1.3. However, there has been feedback that the ability to effectively pursue legal action remains a significant challenge for investors seeking compensation in market misconduct cases in Singapore. We have considered the feedback and identified key challenges as summarised below:
 - (a) Evidential hurdles: Market misconduct cases often involve complex financial transactions and sophisticated schemes. In cases where investors seek compensation as a group, it may be difficult for each investor to prove similar interests.
 - (b) High costs: Pursuing such claims requires significant financial and legal expertise, both of which are very costly. At the same time, investors' compensation may be limited, as the recoverable compensation in certain market misconduct cases is capped by law at the amount of profit gained or loss avoided by the wrongdoer.
 - (c) Limitations of piggyback action: While the piggyback provision was designed to address some of the evidential and cost challenges mentioned above by allowing investors to ride on public enforcement outcomes, the provision's scope is limited in terms of the types of successful public

¹ Market misconduct includes (a) disclosure-related breaches such as the making of false and misleading statements in offer documents and financial statements, and the failure to make disclosures of material events as required under the SGX listing rules; (b) false trading; (c) deceptive conduct; and (d) other prohibited conduct under Part 12 of the Securities and Futures Act 2001.



enforcement actions that investors can rely on. Additionally, it is observed that the procedural steps for bringing a piggyback action are not straightforward.

1.4. To address these challenges, MAS seeks public feedback, in this Consultation Paper, on enhancements to both the independent action under section 234 of SFA and the piggyback action under section 236 of SFA. These proposed enhancements aim to strengthen the investor recourse regime in three key areas below, while preserving the complementary nature of both pathways:

- (a) Facilitating self-organisation;
- (b) Providing access to funding; and
- (c) Reducing legal barriers to civil action.

1.5. Alongside the proposed enhancements, MAS is also reviewing ways to put in place appropriate safeguards, to ensure that frivolous legal actions do not unduly burden the market.

1.6. Please note that all submissions received will be published and attributed to the respective respondent unless they expressly request MAS not to do so. As such, if respondents would like:

- (a) their whole submission or part of it (but not their identity), or
- (b) their identity along with their whole submission,

to be kept confidential, please expressly state so in the submission to MAS. MAS will only publish non-anonymous submissions. In addition, MAS reserves the right not to publish any submission received where MAS considers it not in the public interest to do so, such as where the submission appears to be libelous or offensive.

1.7. Please submit written comments by 31 December 2025 via the link provided:

<https://form.gov.sg/68f9e171e22f1ee587a58e48>



2. Proposed Enhancements

Facilitating Self-Organisation

- 2.1. When multiple investors suffer losses as a result of market misconduct, taking collective (instead of individual) action to seek compensation enables them to pool resources, share costs, and gather more evidence to present a stronger case. However, affected investors face two key challenges in this process. The first challenge is self-organisation – investors may not know one another, lack means to identify and contact fellow affected investors, and have limited resources to coordinate their efforts. The second challenge lies in taking legal action. Under the current legal framework for collective actions², one or more investors must step forward as the lead claimant. However, there may not be investors who are willing, able, or sufficiently trusted by others to assume this role. Under the law, an independent third party can assist claimants, but it cannot bring action on behalf of claimants
- 2.2. To address these challenges, MAS proposes introducing an option for an independent party to be appointed as a designated representative and bring legal action on behalf of the investors for market misconduct cases, should investors require this. This would complement, and not replace, the existing avenue for investors to bring their own action with one or more of their own acting as a lead claimant.

Criteria for approval of designated representative

- 2.3. An independent party who has been asked by investors to represent them and bring an action on their behalf will have to apply to be approved as a designated representative and given legal standing to bring the action. MAS will explore the appropriate mechanisms for approving the designated representative, including possibly going through the Court. MAS seeks views on the criteria the approval authority will consider when approving a designated representative.
- 2.4. **First, a sufficient number of affected investors must have consented to the designated representative acting on their behalf.** The approval authority will have the discretion to determine what constitutes a “sufficient number” based on the circumstances of each case and considerations of procedural efficiency. This allows a case-by-case determination of whether the group size is appropriate for effective case management, instead of being constrained by an arbitrary numerical threshold. MAS will also explore whether investor groups with common interests should be required to appoint common designated representatives.

² Such actions are called “representative proceedings” and brought under Order 4 Rule 6 of the Rules of Court 2021.



- 2.5. **Second, the designated representative must not have any conflicts of interest that may compromise its ability to act against the wrongdoer.** The designated representative must declare and demonstrate independence from the wrongdoer, including having no business relationships, financial interests, or other connections that could affect its ability to act objectively. The designated representative must also disclose any relevant relationships with either the wrongdoer or the affected investors that could potentially influence its representation.
- 2.6. **Third, to deter applications by organisations primarily motivated by speculative gains, the designated representative must not enter into any fee arrangement with the investors that gives the designated representative a direct financial interest in the outcome of the case.** For example, the designated representative should not charge a fee which is contingent on successful action (contingency fees), or pegged to the amount of compensation obtained by the investors or the costs awarded to the investors (conditional fees). Instead, MAS proposes that the designated representative be compensated by way of a pre-agreed fee or fee structure. Designated representatives will be required to disclose and obtain investors' agreement upfront on the fee structure, for example, a fixed fee per investor, or a cost-plus model. The agreement will need to be submitted to the approval authority for endorsement/approval.

Question 1. MAS seeks views on its proposal to allow a designated representative to bring legal action on behalf of the investors for market misconduct cases.

Question 2. MAS seeks views on the three key criteria for the approval of a designated representative.

Providing Access to Funding

- 2.7. MAS has received feedback that a key barrier to effective investor recourse in market misconduct cases is the high costs of bringing legal action. Depending on complexity, market misconduct cases may involve substantial costs for expert witnesses, document discovery, financial analysis, and legal expertise. These costs can exceed the financial capacity of individual investors, particularly retail investors, even when their claims have merit. Investors therefore require some form of funding assistance to seek recovery of losses from the wrongdoers. To address this challenge, MAS proposes establishing a grant scheme to co-fund meritorious investor actions.
- 2.8. However, we are keenly aware that providing funding without proper guardrails could lead to opportunistic litigation that wastes judicial resources and creates unnecessary costs for all other market participants. Robust safeguards, such as appropriate grant parameters and fund governance structure, must be in place to help ensure that such a grant scheme supports genuine claims while deterring frivolous litigation. MAS welcomes comments in addition to the grant parameters and governance structure proposed below to drive prudent and judicious use of funds for deserving cases.



Grant Parameters

Qualifying investors

- 2.9. The grant scheme's primary objective is to support retail investors seeking collective action for alleged market misconduct. MAS proposes to require the investor group to consist of a minimum number of retail investors, in order to be eligible for the grant. The requirement for a minimum threshold number seeks to encourage consolidation of claims, instead of fragmentation of similar claims which could burden the legal system and the grant scheme.
- 2.10. MAS seeks views on setting the minimum threshold at 50 retail investors as a starting point, but allowing for the Approval Panel (see section below on Grant Governance) to adjust the threshold on a case-by-case basis. For example, there may be cases where the retail investor base is small and hence there would be difficulties in meeting the minimum number of investors. The Approval Panel may also require investor groups who share similar interests in the matter to consolidate their claims as a condition for grant approval, in order to optimise grant resources. While institutional investors may participate in these groups, they would not count toward the minimum threshold.
- 2.11. Investors who commence collective action with or without a designated representative (see paragraph 2.3 above) may apply for the grant. In the case of an investor group which has appointed a designated representative, grant approval will be conditional upon the designated representative receiving approval to act for the investor group. In addition to meeting the minimum threshold number of investors, the designated representative must satisfy the Approval Panel that it has the operational capability to bring the action on behalf of investors. This includes the ability to manage investor communications, coordinate legal proceedings, and maintain appropriate systems for record-keeping and investor updates. This requirement ensures that the designated representative can effectively handle the complex administrative requirements of group legal actions and account for any grant amounts received on behalf of the investor group.

Qualifying Cases

- 2.12. **The grant will only be made available to actions commenced in Singapore courts for alleged market misconduct under the SFA.** Given that Singapore retail investors mainly participate in the securities market, it would be appropriate to cover this market with grant support. The grant is not intended to cover shareholders' disputes with the other shareholders, directors or management of a listed issuer. Investor groups seeking grant support may concurrently allege or plead other causes of action (such as breach of fiduciary duties or minority oppression under Companies Act 1968) but the Approval Panel will only consider the legal merits of the alleged market misconduct in deciding whether to fund that part of the action.



2.13. **Retail investors will also have to provide the Approval Panel with a legal opinion to aid in determining whether a case is legally meritorious to justify funding.** The legal opinion must be provided by a law firm from a pre-approved panel. The Approval Panel will provide initial funding to investors to obtain this legal opinion – see paragraph 2.14 below.

Qualifying Costs

2.14. MAS proposes that recipients of the grant should be permitted to apply it towards all necessary costs to facilitate effective collective action and conduct of civil litigation. Such costs would include:

- (a) Publicity costs of seeking out fellow affected investors;
- (b) Cost of organising investor briefings and meetings to coordinate investors;
- (c) Cost of obtaining a legal opinion to help investors assess case viability;
- (d) Legal fees incurred on a solicitor-client basis and disbursements charged by the lawyers in the course of their engagement;
- (e) Expert fees incurred to provide expert evidence to the Court; and
- (f) Potential adverse cost orders if actions prove unsuccessful.

2.15. To safeguard against excessive or inflated claims against the grant scheme, MAS proposes that the grant quantum be capped for each successful application, with the exact cap determined on a case-by-case basis by the Approval Panel, and communicated to the applicant(s) at the point of grant approval. Any cost incurred beyond the capped grant quantum will have to be covered by the participating investors themselves. The costs involved will vary significantly with complexity of the cases, the need for expert witnesses, the number of investors involved, and whether this is an independent or piggyback action. The Approval Panel will thus be best placed to determine a reasonable cap with the benefit of reviewing the grant application and presented case facts.

2.16. To give the Approval Panel greater control and certainty over the legal fees involved, the grant can only be used for legal fees incurred from a pre-approved panel of law firms.

2.17. **MAS proposes to collect participation fees from each of the investors upon grant approval.** The intent of the participation fee is to discourage frivolous participation in investor lawsuits. However, MAS will be mindful to calibrate the fees at an amount that is affordable for retail investors who have already suffered financial losses. The amount of participation fees will reflect the complexity and amount of resources likely needed for different types of recourse. For piggyback actions, the market misconduct would have been established via public enforcement actions, and therefore less investigative, analytical and legal work would be needed for the civil action. The participation fee collected for piggyback actions seeking grant support can therefore be lower than independent actions, to reflect such



differences in cost and resources needed. The participation fee collected will be paid into the fund to be applied to other eligible investor actions under the grant scheme.

- 2.18. MAS seeks views on whether a participation fee of \$200 and \$500 per investor for piggyback actions and independent actions respectively, would be appropriate.
- 2.19. Given that participation fees are not intended for cost recovery, the total participation fees collected would be substantially lower than the actual grant expenditure in most cases. To enhance the sustainability and equity of the grant scheme, MAS seeks views on whether the grant scheme should include a mechanism to recover costs from successful compensation awards before the balance is distributed to the participating investors. This mechanism would operate on principles ensuring investors are not disadvantaged or worse off by participating in the scheme. For instance, there should be sufficient compensation for investors to minimally recover their participation fees.

Question 3. *MAS seeks views on providing funding support to retail investors seeking collective civil action for alleged market misconduct.*

Question 4. *MAS seeks views on the proposed grant parameters and any other grant parameter which will support the objectives of the grant scheme.*

Question 5. *MAS seeks views on whether a participation fee of \$200 and \$500 per investor for piggyback action and independent action respectively would be appropriate.*

Question 6. *MAS seeks views on whether the grant scheme should seek to recover the grant amount dispensed from the total compensation successfully awarded, before allowing the balance to be distributed to the participating investors.*

Grant Governance

- 2.20. Robust grant governance is critical in ensuring that the grant scheme can achieve its intended objectives and the impact of the funds is maximised. The establishment of clear processes and criteria for evaluating applications will build trust amongst applicants and the broader investing community in Singapore that their interests are protected.
- 2.21. To ensure robust and independent review of the grant applications, MAS proposes to form an Approval Panel to assess and approve the grant applications. The Approval Panel will comprise legal academics, industry professionals, lawyers, professional litigation funders, and/or retired judges. The Approval Panel will look at each application to assess if the grant parameters are met and exercise its discretion to vary the minimum numbers of investors where required. The Approval Panel will also independently assess the legal merits of the case and determine whether there is a reasonable likelihood of investors receiving successful compensation, before providing funding.



Question 7. MAS seeks views on the proposed governance arrangements for the grant scheme.

Reducing Legal Barriers to Civil Action

2.22. While there are existing legal provisions which facilitate investors' pursuit of compensation claims, such as the piggyback provision, MAS notes feedback that the provisions can be further refined to address possible frictions. MAS proposes the following enhancements:

- (a) Widen the piggyback provision and simplify the process to use the piggyback provision;
- (b) Facilitate investors' proof of their reliance on false and misleading statements; and
- (c) Remove statutory caps on compensation.

Enhancement of Piggyback Provision

2.23. Under the piggyback provision, investors can bring compensation claims by riding on a criminal conviction or civil penalty order made against a wrongdoer.

Scope of provision

2.24. However, the piggyback provision currently does not extend to cases where MAS enters into a civil penalty settlement with the wrongdoer, or if there is a default judgment or consent order made against the wrongdoer. In these scenarios, investors must initiate fresh proceedings and independently establish the wrongdoer's liability to claim compensation. This limitation significantly constrains the provision's effectiveness, particularly given that civil penalty settlements are an important way to bring cases to resolution.

2.25. Similar to convictions or civil penalty orders, civil penalty settlements, default judgments and consent orders represent formal conclusions of enforcement actions. Like court prosecution or civil penalty court action, substantial resources are expended in investigating cases that reach such outcomes. Furthermore, MAS's general practice is to obtain an admission of liability in settling cases. Thus, allowing investors to leverage on such public enforcement actions, instead of requiring a fresh set of proceedings, would enhance regulatory and judicial efficiency. MAS therefore proposes to expand the scope of the piggyback provision to include civil penalty settlements, default judgments and consent orders.



Simplifying the process

- 2.26. Further, in order to claim compensation under the piggyback provision, investors have to follow the process set out in Order 61 of the Rules of Court 2021, which includes making an application to the Court, advertising the application, filing affidavits to prove their claims, and attending a hearing of the application.
- 2.27. MAS proposes to simplify the process, such as by providing template forms and affidavits for investors to use to claim compensation under the piggyback provision. MAS welcomes comments on the ways the current piggyback process may be simplified.
- 2.28. To increase awareness of this avenue for civil recourse among retail investors, MAS also intends to publish a guidance note which would explain when and how investors can use the piggyback provision, including the steps that investors must take to bring their claims and the timelines within which these steps must be taken.

Question 8. *MAS seeks views on the proposal to expand the piggyback provision to allow investors to file compensation claims by riding on civil penalty settlements, default judgments and consent orders, which contain an admission or finding on the wrongdoer's liability.*

Question 9. *MAS seeks views on the proposal to simplify the process for investors to use the piggyback provision.*

Provisions to facilitate proof of reliance on false and misleading statements

- 2.29. Under section 234(1A) of the SFA, investors seeking compensation for losses suffered due to false or misleading statements or omissions must establish that they traded in the capital markets product either in reliance on the misstatement or in ignorance of the omitted fact. It may be difficult to establish such reliance or ignorance, for instance, if there are concurrent market rumours or business developments relating to the listed company in question.
- 2.30. MAS proposes amendments to the SFA to alleviate this difficulty, for example, by providing that proof of certain matters is sufficient to demonstrate the requisite reliance or ignorance. Such matters may include: that the misstatement is made to investors or is publicly known; that the misstatement had a material influence on the price of the capital markets product in question; and/or that the misstatement had a material influence on the trading behaviour of the investor.



Question 10. *MAS seeks views on the proposal to facilitate proof of reliance by investors in cases of misstatements or omissions in relation to the trading of capital markets products.*

Question 11. *MAS seeks views on the proposed mechanics by which proof of reliance may be facilitated, such as by providing that proof of certain matters is sufficient to demonstrate the requisite reliance or ignorance.*

Remove statutory caps on compensation

2.31. Under section 234(1A) of the SFA, investors who suffer loss as a result of relying on false or misleading statements or omissions are allowed to obtain compensation, regardless of whether the wrongdoer gained a profit or avoided a loss. However, under section 234(1) read with section 234(2) and 234(6) of the SFA, if an investor brings a claim for compensation for other market misconduct offences such as insider trading, market manipulation or failure to make continuous disclosure, the compensation amount cannot exceed the amount of profit gained or loss avoided by the wrongdoer.

2.32. The cap on compensation may discourage investors from bringing an action, especially in cases where it is difficult to prove that there was actual profit gained or loss avoided by the offender. As such, MAS proposes to remove the statutory cap on compensation for all market misconduct offences.

2.33. Instead, MAS proposes that the Court be given the flexibility to determine what would be a reasonable compensation amount in each case, which the Court does in almost all other instances in determining quantum of damages in civil claims. This would allow the Court to take into account the facts and circumstances of each case, and consider various factors including the amount of loss that reasonably results from the contravention, and the amount of profit gained or loss avoided by the wrongdoer.

Question 12. *MAS seeks views on the proposal to remove the statutory cap on compensation for all market misconduct offences, and for the Court to determine compensation amounts on a case-by-case basis.*



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