

# MAS AND SGX PROPOSE MEASURES TO STRENGTHEN THE SECURITIES MARKET

*Posted on March 3, 2014*

Category: [CNPupdates](#)

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**Date Published: 3 March 2014**

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The Monetary Authority of Singapore ("**MAS**") and Singapore Exchange Securities Trading Limited ("**SGX**") released a joint consultation paper on 7 February 2014 setting out proposals to strengthen the securities market in Singapore. This followed an extensive review by MAS and SGX of Singapore's securities market, which, while concluding that the securities market in Singapore remains sound, identified three possible areas for improvement:

### **Promoting orderly trading and responsible investing**

- *Minimum trading price.* MAS and SGX are considering setting a minimum trading price for issuers listed on the SGX Mainboard. Low-price securities are generally associated with high volatility, which in turn makes them more susceptible to speculation and potential market manipulation and introducing a minimum trading price as a continuing listing requirement could help address these risks.
- *Collateral requirements for securities trading.* To reduce the credit risk exposures of market participants, MAS and SGX are proposing that securities intermediaries impose minimum collateral on their customers for trading in both SGX-listed and foreign listed securities, based on the customers' open positions and credit risk management practices. SGX also intends to shorten the settlement cycle from T+3 to T+2 days by 2016.
- *Short position reporting requirements.* MAS and SGX are proposing a short position reporting regime to enhance transparency in short selling, complementing the marking regime introduced last year, where participants are required to mark short sell orders. Two short position reporting options are being considered, namely aggregate position reporting and disclosure of significant individual short positions. MAS and SGX are seeking feedback on the pros and cons of each option given the different reporting thresholds and the type of information that would be made public.

### **Improving the transparency of market intervention measures**

*Transparency of trading restrictions imposed by securities intermediaries.* MAS and SGX are proposing that trading restrictions imposed by securities intermediaries for SGX-listed securities be announced through the SGX website to ensure fair and transparent dissemination of such information, as such trading restrictions can have a market impact.

### **Strengthening the process for admitting new listings and enforcing against**

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## listing rule breaches

- *Reinforcing the SGX listings framework.* An independent Listings Advisory Committee, to consider listing policy issues and listing applications that meet specified referral criteria is being proposed to address perceived and actual conflicts of interests in relation to SGX's role as the listing authority, supplement SGX's existing listing review process and introduce practitioner experience to the decision-making process.
- *Strengthening powers to enforce regulatory actions against breaches of listing rules.* An independent Listings Disciplinary Committee and Listings Appeals Committee are proposed to be established, to improve the transparency of SGX's disciplinary process and ensure the fair administration of sanctions for listing-related matters. It is also proposed that the range of regulatory sanctions for listing rule breaches be expanded to include powers to impose fines, restrict the activities that issuers may undertake, as well as to make offers of compositions for minor and technical breaches.

## SGX enhances regulatory tools

The Singapore Exchange Securities Trading Limited ("SGX") is enhancing its regulatory tools by refining its query process and adding new requirements which are effective 3 March 2014. These comprise the following:

### Enhancements to the public query process

Currently, when unusual trading activity is detected in a stock that cannot be explained by existing public information or prevailing market conditions, SGX will issue a public query to the issuer regarding the unusual trading activity in its stock to extract yet-to-be-disclosed price-sensitive information from the issuer that can explain the unusual trading behaviour in its stock and alert investors to trade with care in such stock. SGX will enhance its public query by providing examples as a guide, of yet-to-be-disclosed information that could explain the trading patterns.

SGX will now require all issuers to have their replies to public queries by SGX approved by the issuers' Boards of Directors and state this in their response to SGX.

### Publication by SGX of a "Trade with Caution" announcement

SGX will introduce a "Trade with Caution" announcement in instances where an issuer is queried by SGX and replies that it is unaware of any reasons for the unusual trading activities observed in its stock to warn investors that the trading activities in that issuer's stock could be caused by market forces other than its corporate developments.

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## **Notifying SGX on specific transactions and privy persons**

During the course of market surveillance, SGX has observed instances where stock prices moved ahead of material announcements indicating a possible information leak. Issuers will now be required to notify SGX where their Boards are, either aware of discussions or negotiations of a potential proposal, or in discussion or negotiation on an agreement or document which may lead to a takeover, reverse takeover or a very substantial acquisition. SGX will keep such notifications confidential. At the same time, the issuer will be required to maintain a list of names of person privy to the transaction, which SGX may request as and when necessary.

## **Other regulatory tools – Suspension and Designation**

SGX has the authority and powers to suspend and designate a stock. These two tools are used sparingly in exceptional cases where anomalies in trading are observed, in order to protect the interests of the market. SGX has published FAQs on its website regarding the use of its regulatory powers to suspend and designate a stock and SGX will continue to highlight the restrictions and where appropriate, provide clarification to the market of the decision it undertakes.

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