

PROPOSED CHANGES TO SGX'S MINIMUM TRADING PRICE REQUIREMENT

Posted on September 1, 2016

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Date Published: 1 September 2016

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On 23 August 2016, the Singapore Exchange (“**SGX**”) announced that it is proposing to refine its minimum trading price requirement (the “**MTP Requirement**”) introduced in March 2015 for all issuers listed on the SGX Mainboard.

The existing MTP Requirement

Under the existing MTP Requirement, all issues listed on SGX Mainboard are required to have a minimum trading price of at least S\$0.20. This is to be calculated based on the issuer’s volume-weighted average price (“**VWAP**”) of its share over the past six months at the first market day of March, June, September, and December of each year (the “**Quarterly Reviews**”).

Issuers who are unable to meet the MTP Requirement will be placed onto SGX’s watch-list for at least 6 months. Such issuers have 36 months to exit the watch-list (if they record a VWAP of at least S\$0.20 over the last 6 months prior to SGX’s review, i.e. the “**MTP Exit Criteria**”), failing which they may be subject to delisting in accordance with SGX’s listing rules.

Amongst others, the introduction of the MTP Requirement is intended to elevate the overall quality of the stocks listed on SGX Mainboard as lower-priced securities are considered to be more susceptible to market misconduct and abuses and high volatility.

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As of 3 March 2016, a total of 41 Mainboard issuers were placed on SGX's watch-list for non-compliance with the MTP Requirement. Prior to 3 March 2016, 16 companies that are not compliant with the MTP Requirement were already on SGX's watch-list because they had triggered the other entry criteria by recording pre-tax losses for three financial years and having an average daily market capitalization of less than S\$40 million over 6 months.

Proposed Revised MTP Requirement

Since the introduction of the MTP Requirement, SGX has been continuously reviewing its implementation and it was observed that issuers with a higher market capitalization of S\$40 million or more had a better bid-ask spread percentage, securities daily average value, and lower volatility.

In view of the foregoing, SGX is now proposing to refine the MTP Requirement and make it more targeted by introducing an additional market capitalization threshold such that issuers will only be placed on SGX's watch-list if their VWAP is less than S\$0.20 and their average daily market capitalization is less than S\$40 million over the last 6 months. For consistency, similar changes to the MTP Exit Criteria have also been proposed.

The proposed introduction of the market capitalization threshold for the MTP Requirement will align it with the other entry criteria for SGX's watch-list, i.e. the financial entry criteria (the "**FEC**"), which also considers, inter alia, an issuer's market capitalization. Under the FEC, an issuer will be placed on the watchlist if it records pre-tax losses for the three most recently completed financial years and has an average daily market capitalization of less than S\$40 million over the last 6 months.

In addition, to better align the review timing and lookback period, SGX is also proposing to change the frequency of reviews of its watch-lists from the current Quarterly Reviews to half-yearly reviews to be conducted on the first market day of June and December every year.

Public Consultation

SGX is presently seeking public consultation in relation to the above-described proposed amendments, which will remain open until 23 September 2016.

As at 1 August 2016, if the proposed amendments are not adopted and the Quarterly Reviews proceed as scheduled in September 2016, it is expected that there will be a total of 125 companies on SGX's watch-list for non-compliance with the MTP Requirement, including companies who have already been placed on the watch-list for that noncompliance (the "**Current MTP Watch-List Issuers**"). If the proposed amendments are adopted, the number of affected companies is expected to go down to 71.

While the MTP Requirement is being reviewed, SGX has indicated that it will not place new entrants on the watch-list for non-compliance with the MTP Requirement until the consultation and review are completed. Current MTP Watch-List Issuers will continue to be on the watch-list and remain subject to the existing

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Quarterly Reviews and MTP Exit Criteria.

If the proposed amendments to the MTP Requirement and MTP Exit Criteria are accepted, implementation is expected to take place by June 2017, whereupon the Current MTP Watch-List Issuers will be reviewed against the revised MTP Requirement. If the revised MTP Requirement is triggered, the Current MTP WatchList Issuer will have 36 months from the date of the review to exit the watch-list under the revised MTP Exit Criteria. If the revised MTP requirement is not triggered, the Current MTP Watch-List Issuer will exit from the watch-list.

For the avoidance of doubt, the watch-list under the FEC will continue to be reviewed at quarterly intervals pending the outcome of the public consultation and amendments to SGX's listing rules, if necessary.

Considering the present difficult market conditions, the proposed more targeted approach towards assessing listed companies is expected to be welcomed by many for shifting undue focus away from share price only.

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