

MEMO# 27975

March 24, 2014

Singapore Consultation on Strengthening the Securities Market

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TO: EQUITY MARKETS ADVISORY COMMITTEE No. 6-14

ICI GLOBAL MEMBERS No. 9-14

INTERNATIONAL MEMBERS No. 8-14 RE: SINGAPORE CONSULTATION ON STRENGTHENING
THE SECURITIES MARKET

The Monetary Authority of Singapore (MAS) and the Singapore Exchange (SGX) have issued a joint consultation setting out proposals to strengthen the securities market in Singapore.

[\[1\]](#) The consultation states that the proposals follow a review by MAS and SGX of the securities market. The review found that while the securities market remains sound, there were several areas for improvement including promoting orderly trading, improving the transparency of market intervention measures, and strengthening the process for admitting new listings and enforcing against listing rule breaches.

Promoting Orderly Trading

The consultation proposes several measures to address orderly trading. Specifically, the consultation states that MAS and SGX are considering the possibility of setting a minimum trading price for issuers listed on the “SGX Mainboard.” The consultation notes that low-price securities are generally associated with high volatility, which in turn makes them more susceptible to speculation and potential market manipulation; introducing a minimum trading price as a continuing listing requirement would help to address these risks. The consultation states that a possible price range for the initial threshold could be around S\$0.10-\$0.20 and that issuers would have a “cure period” of 36 months to take remedial actions, including share consolidation, in response to the introduction of a minimum trading price. The consultation also discusses the introduction of an alternative facility for the trading of delisted shares.

The consultation states that in an effort to reduce the credit risk exposures of market participants, securities intermediaries would impose minimum collateral requirements on their customers for trading in both SGX-listed and foreign-listed securities, based on the customers’ open positions and credit risk management practices. [\[2\]](#) SGX also intends to shorten the settlement cycle from T+3 to T+2 by 2016.

Finally, to further enhance transparency in short selling, MAS and SGX propose a short

position reporting regime. The consultation lays out two options for such a regime - aggregate position reporting and disclosure of significant individual short positions. The consultation requests comment on the pros and cons of each option given the different proposed reporting thresholds and the type of information that would be made public. [3]

Improving the Transparency of Market Intervention Measures

To improve the transparency of market intervention measures, MAS and SGX propose to require trading restrictions imposed by securities intermediaries for securities listed on the SGX to be announced through the SGX website. The consultation states that since trading restrictions by intermediaries can have a market impact, it is important to ensure fair and transparent dissemination of information on such restrictions.

Strengthening the Process for New Listings and Enforcing Rule Breaches

To address conflicts of interests in relation to SGX's role as the listing authority, MAS and SGX propose that an independent Listings Advisory Committee be established to consider listing policy issues and listing applications that meet specified referral criteria. The consultation states that such a measure would supplement SGX's existing listing review process.

Similarly, to improve the transparency of SGX's disciplinary process and ensure fair administration of sanctions for listing-related matters, MAS and SGX propose to establish an independent Listings Disciplinary Committee and Listings Appeals Committee. The range of regulatory sanctions for listing rule breaches also would be expanded to include powers to impose fines and restrict the activities that issuers may undertake.

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endnotes

[1] The consultation can be found at <http://www.mas.gov.sg/~media/MAS/News%20and%20Publications/Consultation%20Papers/Review%20of%20Securities%20Market%20Structure%20and%20Practices.pdf>. Comments on the consultation are due by May 2, 2014.

[2] Customer collateral requirements would be based on a minimum collateral level of five percent of open positions and would require customer cash collateral to be held in trust accounts with licensed banks in Singapore at all times.

[3] In aggregate position reporting, net short positions of at least 0.05% or S\$100,000 of issued shares of a listed entity must be reported weekly and aggregated positions will be published. In public disclosure of short positions, net short positions of at least 0.5% of issued shares must be reported, as well as subsequent changes in position of 0.1% or more. The short position holder's identity and position size will be published.

should not be considered a substitute for, legal advice.