

## Financial Services Update

### Amendments to SGX-ST Listing Manual to enhance corporate governance standards

#### Introduction

On 1 September 2006, the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**Listing Manual**") will be amended to incorporate rules aiming to raise corporate governance standards and promote good regulatory practices.

These changes to the Listing Manual follow from an earlier public consultation conducted by the Singapore Exchange Limited (the "**SGX**") in June 2005 (the "**earlier Consultation**"). Taking into account feedback to the earlier Consultation, the SGX announced that it will not implement the following proposals put forward in the earlier Consultation:

- To require foreign issuers to appoint a compliance adviser, a Singapore resident director or a Singapore resident executive officer in addition to the requirement to appoint two independent Singapore resident directors.
- To require the board of directors (the "**Board**") and the chief executive officer (the "**CEO**") of an issuer to give a "negative assurance" confirmation on the issuer's internal control.

The key amendments that will be included in the Listing Manual are set out below. These amendments will take effect on 1 September 2006 unless specified otherwise.

#### Initial listing requirements

##### (i) *Two independent resident directors for foreign issuers*

To ensure sufficient local representation on the Board of a foreign issuer, it is required to have at least two independent directors resident in Singapore. Existing foreign issuers have up to 1 January 2008 to comply with this requirement. The introduction of this requirement formalises the existing practice of the SGX for new listing applications.

##### (ii) *Appointment of compliance adviser if necessary*

The SGX will be empowered to require an applicant for listing to appoint a compliance adviser on a selective and "need-to" basis. The compliance adviser is expected to advise the Board of the applicant on the applicable rules and regulations.

**(iii) *Disclosure of directors' prior experience or training***

As a pre-quotations disclosure requirement, issuers will be required to announce prior experience or training of each director in the offering document or via SGXNET. The introduction of this requirement formalises the existing practice of the SGX for new listing applications.

**(iv) *Additional confirmation by issue manager***

An issue manager will have to provide an additional confirmation that the directors of an applicant for listing have been informed of their obligations under the Listing Manual and the relevant Singapore laws and regulations.

**Continuing listing requirements**

**(i) *Two independent non-executive directors for all issuers***

An issuer will be required to have at least two non-executive directors who are independent and free of any material business or financial connection with the issuer, not only at listing, but on a continuing basis. In addition, an existing foreign issuer must ensure that at least two independent directors are Singapore residents.

Existing issuers are expected to comply with the above requirements by 1 January 2008.

**(ii) *“Negative assurance” confirmation on accuracy of interim financial results***

The directors of an issuer will be required to provide a “negative assurance” confirmation that, to the best of their knowledge, nothing has come to the attention of the Board which may render the interim financial results to be false or misleading. No audit of these financial statements needs to be commissioned by the Directors. The confirmation may be signed by two directors on behalf of the Board.

**(iii) *Sponsorship disclosure requirement extended to two years***

The Listing Manual requires an issuer to include a prominent statement to identify the sponsor of its initial public offering or reverse takeover in all its announcements and all information documents issued by the issuer to its shareholders for one year after listing or completion of a reverse takeover. This sponsorship disclosure requirement will be extended to two years after listing or completion of a reverse takeover.

**(iv) *Voluntary compliance with the OFR Guide***

Issuers are encouraged (but not required) to follow the guide for operating and financial review (the “**OFR Guide**”) issued by the Council on Corporate Disclosure and Governance when preparing reviews of the operating and financial performance of the issuers and their

principal subsidiaries in the annual reports. This requirement will be effective for all annual general meetings of issuers held on or after 1 January 2007.

The OFR Guide will be set out in a new Practice Note 7.4 in the Listing Manual.

**(v) *Disclosure of directors' prior experience or training***

Prior experience or training of any newly appointed director of existing issuers must be announced via SGXNET.

**(vi) *Simpler disclosure requirement relating to accountants of subsidiaries***

An issuer will only be required to disclose in its annual report the names of the accounting firms for its significant subsidiaries and associated companies (whether Singapore or foreign incorporated). The names of the accounting firms for its Singapore incorporated subsidiaries that are not significant need not be disclosed.

**(vii) *Post-listing requirements for debt securities***

For an issue of debt securities that is offered to retail investors, an issuer will be required to prepare its post-listing financial results in accordance with the approved accounting standards.

**(viii) *Disclosure of material information during trading hours***

Appendix 7.1 of the Listing Manual has been amended to make it clear that issuers are required to release announcements of material information as and when it arises, even if it does so during trading hours.

**Real estate investment trusts (REITs)**

***New requirements on issuance of new units by REIT under general mandate***

New Rule 887 of the Listing Manual will set out the requirements with respect to issuance of new units by a real estate investment trust ("REIT") under a general mandate.

**Useful references**

Please [click here](#) to view the SGX's press release dated 7 June 2005 in relation to the above development and the complete list of the amendments that will be made to the Listing Manual.

Please [click here](#) to view an article entitled "Proposed amendments to SGX-ST Listing Manual to enhance corporate governance standards" in the June 2005 issue of the Allen & Gledhill Legal Bulletin that provides a summary of the earlier Consultation.

## Further information

If you have any general queries regarding the impact of these developments on your business or require any further information, please do not hesitate to contact:

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