

Singapore Exchange Regulation  
2 Shenton Way  
#02-02, SGX Centre 1  
Singapore 068804  
(Attention: Market Policy and Rules)

13 June 2025

### **Consultation Paper on “a Shift to a More Disclosure-Based Regime”**

Dear Sir or Madam,

We thank SGX Exchange Regulation (“SGX RegCo”) for the opportunity to comment on its May 2025 consultation paper proposing a shift toward a more disclosure-based listing regime and acknowledge its efforts to modernise regulatory approaches and enhance Singapore’s capital market attractiveness. We understand the rationale for aligning with international regulatory trends and introducing greater flexibility in the listing framework. However, as set out in our response to the consultation, to ensure that Singapore attracts quality IPO listing applicants to its market, flexibility will need to be balanced with strong governance standards, credible disclosures, effective oversight and enforcement mechanisms. Ensuring that listed companies meet clear and enforceable expectations is essential to maintaining investor confidence and safeguarding long-term market integrity. With this in mind, we respectfully submit the following overarching considerations and concerns based on our detailed response to the consultation.

As SGX RegCo moves toward a model that places greater reliance on market-based judgement and issuer-led disclosures, it becomes even more critical to ensure that the regulatory infrastructure can effectively detect and respond to poor-quality or misleading disclosures. Several of the proposals—such as removing the requirement for listing applicants to confirm non-materiality of any weaknesses in its internal control and accounting systems, and permitting disclosure of conflicts of interest without requiring resolution or a clear mitigation plan—risk creating regulatory gaps if not supported by strong post-listing oversight and more detailed disclosure standards.

Under the proposed framework, investors will be expected to evaluate more complex disclosures—such as internal control and accounting system weaknesses, unresolved conflicts of interest, and risks associated with lease profiles. To support informed investor decision-making in this environment, we urge SGX RegCo to take the following steps:

- Strengthen disclosure standards, including clearer definitions of material risk and minimum disclosure requirements to ensure meaningful transparency.
- Issue detailed disclosure guidance to help issuers avoid boilerplate language and promote comparability across companies. This should be accompanied by practical guidance for issue managers and sponsors to ensure consistent application and interpretation of disclosure expectations.

- Enhance investor education initiatives, particularly for retail investors, to build awareness of disclosure-based regimes, identify red flags in financial and governance reporting, and understand how to interpret issuer disclosures effectively.

We are aware from our ongoing dialogue that SGX RegCo remains committed to promoting strong governance standards and acknowledge that greater flexibility is not intended to lower expectations. However, it is essential to clearly communicate that governance remains a central pillar of Singapore's regulatory framework even as the model shifts. For instance:

- We support the proposal to require unmodified audit opinions from listing applicants, which provides a clear and credible baseline for financial integrity.
- However, in the absence of an alternative channel, the proposed removal of safeguards such as the Financial Watch-List may increase the risk of underperforming or speculative issuers remaining listed, potentially affecting market quality and investor confidence.
- Similarly, eliminating the requirement for listing applicants to confirm legal and regulatory compliance prior to listing—and removing third-party verification for profit forecasts and projections—could introduce additional risk if not accompanied by strong oversight and disclosure standards.
- Lastly, we view the retention of a profit test (with a reduced threshold) as an important quality filter for mature, earnings-generating companies, and a valuable complement to other listing criteria.

We support many of SGX RegCo's proposals in principle and recognise the need to stay competitive in a changing global landscape. Our suggestions are intended to ensure that the move toward greater flexibility does not compromise the clarity, reliability, and accountability that investors have come to expect from Singapore's capital markets.

We would be pleased to discuss any aspect of our response in greater detail and thank SGX RegCo for its open and consultative approach.

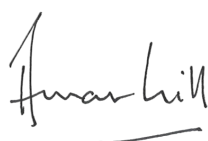
Yours faithfully,

A handwritten signature in black ink that reads 'Stephanie Lin'.

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### About ACGA

The Asian Corporate Governance Association (ACGA) is a non-profit membership association founded in 1999. We conduct research on corporate governance and ESG in 12 markets in Asia-Pacific and advocate at the regulatory and corporate level across the region to improve standards and practices. ACGA is entirely funded by a network of 100 member firms, of which are dominantly institutional investors with more than US\$40 trillion in assets under management globally.

## RESPONSE TO CONSULTATION PAPER ON A SHIFT TO A MORE DISCLOSURE-BASED REGIME ("CONSULTATION PAPER")

On behalf of Singapore Exchange Securities Trading Limited ("SGX-ST"), Singapore Exchange Regulation ("SGX RegCo") invites comments on the Consultation Paper.

Please send your responses through any of the following means:

Mode	Correspondence Details
Email	<a href="mailto:rules@sgx.com">rules@sgx.com</a>
Mail	Singapore Exchange Regulation 2 Shenton Way #02-02, SGX Centre 1 Singapore 068804 (Attention: Market Policy and Rules)

Responses should include a summary of the major points, a statement of interest, and reasoned explanations. Please identify the specific policy or rule proposal on which a comment is made. Please also include your full name and, where relevant, the organisation you are representing, as well as your email address or contact number so that we may contact you for clarification. Anonymous responses may be disregarded.

SGX RegCo may make public all or part of any written submission, and may disclose your identity. You may request confidential treatment for any part of the submission which is proprietary, confidential or commercially sensitive, by clearly marking such information. You may request not to be specifically identified.

Any policy or rule amendment may be subject to regulatory concurrence. For this purpose, you should note that notwithstanding any confidentiality request, we may share your response with the relevant regulator.

By sending a response, you are deemed to have consented to the collection, use and disclosure of personal data that is provided to us for the purpose of the Consultation Paper or other policy or rule proposals.

SGX RegCo requests all comments by **14 June 2025**.

Please refer to the Consultation Paper for more details on the proposals.

**Respondent's Information**

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<b>Statement of Interest</b>	Attached

**Disclosure of Identity**

Please check the box if you do not wish to be specifically identified as a respondent:

☐ I/We do not wish to be specifically identified as a respondent.

## **Consultation Questions**

### **Question 1: Shift to a More Disclosure-Based Approach**

- (a) Do you agree with a shift towards a more disclosure-based approach while retaining key qualitative admission criteria, in particular, the requirements on the listing applicant's financial position and its directors, management and controlling shareholders?

Please select one option:

- ☒ Yes  
☐ No

Please give reasons for your view:

In principle, we support SGX RegCo's proposal to shift toward a disclosure-based regime while retaining qualitative admission criteria for listing applicants' financial position, directors, management, and controlling shareholders. This approach aligns with global practices in markets like the US, UK, and Hong Kong, where disclosure-based regimes enhance market efficiency by empowering investors with comprehensive information to assess risks and rewards, reducing regulatory burden and supporting price discovery. Retaining qualitative criteria ensures high-quality listings by verifying financial viability and leadership integrity, critical for maintaining investor trust in Singapore's retail-heavy market. Given Singapore's more limited legal protections for retail investors recourse by comparison with international regimes, we recommend that SGX Reg Co consider the following criteria:

- (1) Standardized, accessible disclosures detailing risks and governance;
- (2) Independent third-party reviews of key disclosures;
- (3) Robust enforcement with penalties for misleading disclosures;
- (4) Investor education programs to inform and empower retail investors; and
- (5) Enhanced board vetting for industry expertise. These safeguards ensure transparency, accountability, and fairness, supporting SGX's goal of revitalizing its capital market while protecting investors.

- (b) Do you agree with no longer requiring that a listing applicant resolve, or propose to resolve, its conflicts of interests prior to listing, and instead requiring that the listing applicant disclose material conflicts of interests situations, including the measures (if any) to resolve or mitigate such conflicts, and if no such measures are taken, to explain why?

Please select one option:

- ☒ Yes  
☐ No

Please give reasons for your view:

The proposal allows listing applicants to disclose material conflicts of interest and any measures (or lack thereof) to address them and we view favourably the proposal that listing applicants be required to provide enhanced insight and transparency on this topic to the market. However, we would caveat that without clear guidelines on the specificity and robustness of these disclosures, companies may provide vague or generic assurances that lack substance. Such assurances could undermine investor confidence,

as they may offer little practical value in addressing conflicts. To ensure accountability, SGX Exchange Regulation (SGX RegCo) should establish minimum standards for disclosures, requiring detailed descriptions of conflicts, their potential impact, and specific measures (if any) taken to resolve or mitigate them. If no measures are taken, the explanation must be sufficiently robust to justify the decision, ensuring investors have clear and actionable information.

Transparency is critical to maintaining investor trust. As such, we recommend listing applicants must disclose all conflicts of interest situations, including directors, controlling shareholders, or their associates. Additionally, companies should outline the specific measures they are implementing to ensure ongoing transparency, such as regular reporting, independent audits, or oversight by an independent board committee. These measures should align with SGX's guidelines on disclosure and governance to provide investors with a clear understanding of potential risks and safeguards.

To strengthen the proposal, we suggest the following:

- 1) Standardized Disclosure Templates: Provide templates or guidelines for disclosing conflicts and measures to ensure consistency and comparability across listing applicants.
- 2) Post-Listing Monitoring: Introduce a framework for SGX RegCo to monitor the implementation of disclosed measures post-listing, with penalties for non-compliance.
- 3) Investor Education: Enhance investor awareness of the implications of conflicts of interest through SGX's investor education programs, ensuring retail investors can interpret disclosures effectively.

- (c) Do you have any feedback on whether any other adjustments should be made arising from the approach in (b), including whether REITs and business trusts should be subject to a similar approach?

Please provide your feedback (if any):

Aligned with our recommendations for 1(b), we recommend that SGX RegCo requires that all REITs and business trusts be required to disclose all conflict situations involving directors, controlling shareholders, and their associates, and outline mechanisms to maintain ongoing transparency, such as periodic disclosures, oversight by independent board committees, or third-party audits.

- (d) Do you agree with no longer requiring that a listing applicant confirm the non-materiality of any weaknesses in its internal control and accounting systems, and instead requiring that the listing applicant disclose any material weaknesses, and the steps taken to address them?

Please select one option:

☒ Yes

☐ No

Please give reasons for your view:

As with our response to previous questions, we agree in principle with requiring companies to provide greater transparency to the market regarding weaknesses in internal control and accounting systems. However, we note that a key concern with shifting to a disclosure-only approach is the potential inconsistency in how listing applicants interpret what constitutes a "material" weakness. Without clear

definitions, benchmarks or illustrative guidance, there is a risk that listing applicants may under-disclose weaknesses to avoid reputational damage or delay in listing. Investors may be left with incomplete or incomparable information that does not allow meaningful assessment of a company's risk profile or governance maturity. We therefore urge SGX RegCo to publish Practice Note examples or a materiality framework to guide issuers, issue managers, and auditors.

In addition, we recommend that SGX RegCo require a clearer separation between the financial audit which focuses on the fair presentation of financial statements—and the internal control audit, which assesses

the adequacy and effectiveness of internal processes and risk management. Specifically, internal control reviews should be conducted by a specialist assurance provider independent from the statutory financial auditor. This would enhance objectivity and mitigate the inherent conflict of interest in having the same firm assess both financial statements and internal control systems. The case for such separation is especially strong for complex or high-risk issuers, or in sectors where internal control robustness is critical to investor confidence, such as fintech, life sciences, and emerging markets.

- (e) Do you agree with removing the limit on the proportion of properties with shorter-term leases in a listing applicant's property portfolio, and instead requiring that a listing applicant disclose, if shorter-term leases make up more than 50% of its group's operating profits for the past three years, the risks and implications of such a portfolio, and its plans (if any) to manage its portfolio properties' lease profiles post-listing?

Please select one option:

☒ Yes

☐ No

Please give reasons for your view:

We support SGX RegCo's objective to enhance flexibility in listing requirements for property investment and development companies, acknowledging the evolving nature of the property and lease landscape. However, we recommend that this flexibility be balanced with stronger safeguards to ensure investor clarity on portfolio risk profiles. In particular, where properties with short-term leases contribute more than 10% of the applicant's total property-related profits, mandatory disclosure of this fact should be required. Additionally, we question the threshold for what qualifies as a "short-term" lease—classifying leases of up to 30 years as short-term may dilute the intended distinction. We suggest SGX RegCo consider a more risk-reflective definition of short-term leases, for example, leases of 10 years or under.

- (f) Do you agree with no longer requiring that a listing application confirm that it has obtained all requisite approvals, and is in compliance with laws and regulations, that would materially affect its business operations, and instead requiring, if no such confirmation is provided, that the applicant disclose any potential approval, legal, and compliance issues that would materially affects its business operations?

Please select one option:

☐ Yes



☒ No

Please give reasons for your view:

We are concerned that SGX RegCo's proposal to remove the requirement for listing applicants to confirm they have obtained all requisite approvals and are in compliance with applicable laws and regulations prior to listing introduces significant ambiguity and risk for investors. The proposed reliance on materiality-based disclosure is problematic, as "materiality" can be interpreted subjectively and may lead to inconsistent or insufficient disclosures.

Moreover, the quality and completeness of such disclosures may vary across issuers, particularly in jurisdictions with opaque regulatory environments or limited documentary evidence—such as land use rights in emerging markets. In some cases, failure to obtain relevant licenses and permissions may entirely undermine the viability of the applicant's business operations and present an unacceptable level of investment risk not suitable for public markets.

Given these concerns, we recommend retaining the current requirement for applicants to confirm legal and regulatory compliance before listing. If any exceptions are to be made, they should be narrowly defined, supported by clear guidance, and accompanied by independent legal opinions to substantiate the disclosures. This would preserve investor protection and market integrity while still allowing SGX RegCo the flexibility to assess exceptional cases.

## **Question 2: Financial Position**

- (a) Do you agree that the audited financial statements submitted with the listing applicant's listing application must be unmodified, that is, not be subject to an adverse opinion, qualified opinion, or disclaimer of opinion by the auditors?

Please select one option:

☒ Yes

☐ No

Please give reasons for your view:

We support SGX RegCo's proposal to require that the audited financial statements submitted with a listing application must not be subject to an adverse opinion, qualified opinion, or disclaimer of opinion by the auditors. This is a positive and prudent step to ensure that no material financial or going concern issues exist at the point of listing.

- (b) Do you agree that loan or debt arrangements between a listing applicant group and its directors, substantial shareholders, and companies controlled by its directors and substantial shareholders should not be prohibited?

Please select one option:

☒ Yes

☐ No

Please give reasons for your view:

We are generally supportive of SGX RegCo's proposal to remove the blanket prohibition on loan or debt arrangements between a listing applicant and its directors, substantial shareholders, or their controlled entities, aligning with practices in other major markets. Such arrangements can, in certain cases, provide necessary financing and signal alignment of interests—particularly when loans come from existing shareholders or long-term investors. However, transparency is key. We strongly recommend that the terms of all still valid loan arrangements be disclosed in full, including interest rates, repayment terms, security or collateral, and whether the terms are on an arm's-length basis. Clear and comprehensive disclosure will allow investors to assess the nature and implications of these arrangements and determine whether they raise any material conflicts of interest.

- (c) Do you agree that a listing applicant should not be restricted from using revaluation surplus to calculate its net tangible assets per share or to issue bonus shares?

Please select one option:

- ☒ Yes  
☐ No

Please give reasons for your view:

We agree in principle that listing applicants should not be restricted from using revaluation surplus to calculate net tangible assets per share or to issue bonus shares. This aligns with current accounting standards, such as IFRS, which allow revaluation surplus—representing unrealized gains from assets like property, plant, and equipment carried at fair value—to be included in financial reporting. However, to protect investors, especially those without financial expertise, companies should disclose the methodology behind revaluation surplus, including whether independent valuers were engaged and the valuation techniques used. The risk of overstated valuations remains, necessitating robust auditing to ensure accuracy and transparency.

- (d) Given MAS' proposal to require the issuer's board instead of third parties (e.g., external auditors) to provide attestation on profit forecasts and profit estimates included in the prospectus, do you agree that such profit projections should be excluded from the matters to be covered in the auditors' letter to the Exchange after a listing applicant receives approval-in-principle?

Please select one option:

- ☐ Yes  
☒ No

Please give reasons for your view:

We acknowledge the rationale for placing the onus of attesting to the robustness of the process for compiling profit forecasts and estimates on the issuer's board, given the significant business judgment involved. However, the complete removal of external auditor verification raises concerns about the potential for overly optimistic or misleading projections, which could erode investor confidence in Singapore's disclosure-based capital market regime, particularly given that investors in Singapore may

have fewer legal protections compared to, for example, investors in jurisdictions such as the US, where securities litigation provides stronger avenues for compensation.

To address this, we propose a framework that aligns with international practices while enhancing investor protection in Singapore's unique context. We recommend that issuers' boards provide detailed disclosures of the assumptions, methodologies, and risks underlying profit forecasts, accompanied by a mandatory assurance review by an independent third party, such as a financial advisor or a firm specializing in financial due diligence. This review would assess the reasonableness of the assumptions without constituting a full audit, thereby maintaining cost efficiency for issuers. The independent party should adhere to strict independence criteria, which should be outlined in additional guideline, to avoid conflicts of interest, particularly if the reviewing party is not the lead underwriter involved in the IPO.

### Question 3: Profit Test

- (a) Do you think that the S\$30 million profit criterion is relevant as a quantitative financial criterion? If not, should it be removed, or the S\$30 million figure reduced? If the figure is to be reduced, what would an appropriate threshold between S\$10 million and S\$12 million be?

Please select one option:

- ☐ The S\$30 million profit criterion is relevant and should be retained in its current form  
☐ The S\$30 million profit criterion is irrelevant and should be removed entirely  
☒ The S\$30 million figure should be reduced to S\$\_\_20\_\_ million

Please give reasons for your view:

We do not support the complete removal of the profit test as a quantitative admission criterion. While it may be less frequently used in practice, it serves as an important benchmark for mature, cash-generating companies and offers reassurance to investors about the financial stability and earnings quality of new listings. We would support a reduction in the current threshold of S\$30 million to S\$20 million, which aligns more reasonably with the alternative market capitalisation test of S\$150 million, assuming an approximate earnings multiple of 7–8x typically seen for smaller-cap companies.

The profit test plays a complementary role to the market capitalisation test by ensuring that companies with genuine operating performance and profitability are recognised, even if their valuations may not meet the market cap threshold.

- (b) Do you agree with a removal of the exception for temporary low profits?

Please select one option:

- ☒ Yes  
☐ No

Please give reasons for your view:

We agree with the proposal to remove the exception for temporary low profits. While the intent behind the exception is understandable, in practice it introduces significant subjectivity and opens the door for overly optimistic or unsubstantiated claims—often driven by sponsors or other interested parties—that

a company's financial performance will rebound post-listing. Without concrete, verifiable evidence that such adverse factors have been resolved or are genuinely temporary, this provision risks diluting the integrity of the listing criteria. Removing the exception will ensure that listing applicants must demonstrate consistent and sustainable profitability, rather than relying on speculative future improvements. It also reinforces a more disciplined and transparent admission process.

#### **Question 4: Life Science Companies**

Do you agree with the rule amendments on the admission requirements applicable to life science companies?

Please select one option:

☒ Yes

☐ No

Please give reasons for your view:

We agree with the proposed amendments to reduce the operational track record requirement for life science companies from three to two years and to require demonstrable product development beyond the concept stage—such as early clinical trials. These changes are consistent with international practices adopted by exchanges such as HKEX and NASDAQ and may position Singapore to better support the growth of its biotech sector.

However, while this regulatory shift encourages innovation and enhances clarity by setting tangible milestones, it also introduces greater risks, particularly in a market with a significant retail investor base and a relatively nascent biotech ecosystem. To maintain investor confidence and market integrity, we recommend that this relaxation be accompanied by stronger safeguards. These could include mandatory risk disclosures, independent third-party verification of developmental milestones, and enhanced post-listing oversight.

This approach ensures that only quality companies benefit from the revised framework, balancing the need to attract high-potential issuers with the imperative of protecting investors—ultimately reinforcing Singapore's credibility and competitiveness as a financial hub.

#### **Question 5: Auditing Standards**

Do you agree that the annual financial statements submitted together with the listing application may also be audited in accordance with the auditing standards established by the PCAOB?

Please select one option:

☒ Yes

☐ No

Please give reasons for your view:

We support the proposal to allow annual financial statements submitted with listing applications to be audited under the auditing standards established by the Public Company Accounting Oversight Board

(PCAOB). These standards, mandated by the U.S. Securities and Exchange Commission (SEC) for U.S.-listed companies, are widely regarded as at least as robust and rigorous as International Standards on Auditing (ISA). Both PCAOB and ISA frameworks are underpinned by strong due process, and we do not see a material difference in audit quality between the two.

**Question 6: Removal of Financial Watch-list**

(a) Do you agree with the removal of the Financial Watch-list?

Please select one option:

☐ Yes

☒ No

Please give reasons for your view:

Please refer to our response to question 6(b) below.

(b) Do you agree that, notwithstanding the removal of the Financial Watch-list, an issuer listed on the Mainboard should be required to announce when it records pre-tax losses for the third consecutive financial year?

Please select one option:

☒ Yes

☐ No

Please give reasons for your view (a and b combined):

We understand and appreciate the regulators' intention to streamline regulation and address the pressing need to attract more listings to the Singapore market. However, from a long-term market development perspective, it is equally important to prioritise the quality of listings over quantity. In this regard, we have concerns about the proposed removal of SGX's Watch-List framework for financially underperforming companies.

The Watch-List plays a valuable role in promoting transparency and accountability by identifying companies with sustained financial weakness. Eliminating it without a clear and effective replacement risks weakening market discipline and reducing investor oversight. The proposed alternative—requiring companies to disclose on SGXNET when they have incurred three consecutive years of pre-tax losses—may not offer the same visibility or consistency. Such disclosures can be missed by retail or less active investors and do not provide the ongoing, centralised monitoring function that the Watch-List currently offers.

We are also concerned that the removal of this framework could lead to an accumulation of underperforming or “zombie” companies on the exchange. These issuers, which lack a path to financial recovery, may depress overall market valuations, reduce liquidity, and divert investor attention and capital from stronger, more viable businesses. This outcome would run counter to SGX's broader objective of fostering a vibrant, high-quality capital market and supporting long-term shareholder

value. In addition, SGX has noted elsewhere in this consultation document that it is considering a move towards a more disclosure based regime. In this context, the Watch-List may play a role, alongside other measures, in strengthening investor protections.

#### **Question 7: Other Post-Listing Queries and Obligations**

What are your views on the effectiveness of the proposed changes to SGX RegCo's administration of post-listing queries and obligations?

Please provide your views, if any:

We recognize SGX RegCo's intent to recalibrate its regulatory approach to better support market activity. In particular, we understand that the previous practice of issuing public trading queries may have inadvertently discouraged legitimate corporate actions—such as share buybacks or capital raising—due to concerns about triggering unnecessary public scrutiny. In many cases, the public responses issued by companies in reaction to such queries tended to be generic and uninformative, offering limited value to investors and creating unnecessary noise in the market. We also acknowledge that the “Trade with Caution” (TWC) label serves as a more effective and visible tool for alerting investors to potential irregularities, compared to the previous trading query system.

However, we are concerned that the proposed two-week validity period for the TWC label may be too short in practice. Investigations into price or volume irregularities—particularly where allegations of misconduct or governance lapses are involved—often extend well beyond two weeks. Imposing a fixed expiry date could prematurely lift the cautionary label before concerns are adequately resolved, potentially leaving investors exposed.

Instead of applying a strict time frame, we recommend that the TWC label remain in place until the underlying issue is meaningfully addressed and there is clear confirmation that no material concerns remain outstanding. This would preserve the label's integrity as a meaningful investor alert and reinforce confidence in the market's ability to identify and manage potential risks in a timely and effective manner.