



News Release

28 March 2018

SGX consults public on proposed safeguards for dual class share listings

Singapore Exchange (SGX) is seeking market feedback on proposed safeguards to address expropriation and entrenchment risks of dual class shares (DCS) following broad support for the structure in an earlier public consultation.

“As Singapore transitions to the New Economy, we need to offer a capital structure that meets the funding requirements of companies. Market participants have also expressed a desire for more investment choices. We have reviewed the feedback received and are therefore proposing that the dual class share structure be made available to suitable companies,” said Tan Boon Gin, CEO of Singapore Exchange Regulation (SGX RegCo).

SGX is proposing that DCS companies meet existing Mainboard admission criteria. They must also satisfy the exchange on their suitability to list. Some factors SGX would consider include the role and contribution of the holder of multiple vote (MV) shares, the business model and whether sophisticated investors have participated in the company.

To address expropriation risks, SGX has listed a range of key actions which require shareholders to vote via an enhanced voting process where all shares including MV shares carry one vote each. These actions include the appointment and removal of independent non-executive directors and the winding-up or delisting of the issuer. Independent directors will also make up the majority, including the chair, of the audit committee, the nominating committee and the remuneration committee.

Safeguards against risks of the founders entrenching themselves include allowing each MV share to carry a maximum of 10 votes, and limiting initial holders of MV shares to only directors. SGX is also proposing event-based sunset clauses including requiring MV shares be converted to one-vote (OV) shares once the MV-shareholder ceases to be a director, or sells or transfers the MV shares. Shareholders can choose to do away with these safeguards through the enhanced voting process.

“The one-share-one-vote structure will continue to be the default structure. The DCS structure is not for all companies, nor all investors. As it is associated with the risks of entrenchment and expropriation, we have proposed specific safeguards to mitigate these risks. Investors must nevertheless be informed of the risks of DCS if they invest in them,” Mr Tan said.

SGX is proposing to clearly mark out DCS stocks on trading screens. DCS companies must prominently identify themselves as such in their prospectuses, annual reports, circulars and announcements.

The consultation is open till 27 April 2018. SGX has published responses to its first consultation together with this second consultation. Both are found [here](#).

About Singapore Exchange (SGX)

Singapore Exchange is Asia's leading and trusted market infrastructure, operating equity, fixed income and derivatives markets to the highest regulatory standards. As Asia's most international, multi-asset exchange, SGX provides listing, trading, clearing, settlement, depository and data services, with about 40% of listed companies and 75% of listed bonds originating outside of Singapore.

SGX is the world's most liquid offshore market for the benchmark equity indices of China, India, Japan and ASEAN and offers commodities and currency derivatives products. Headquartered in AAA-rated Singapore, SGX is globally recognised for its risk management and clearing capabilities. For more information, please visit www.sgx.com.

Media Contact

Carolyn Lim
Marketing & Communications
+65 6236 8139
Carolyn.lim@sgx.com