

The SGX logo consists of the letters "SGX" in a bold, dark blue sans-serif font, followed by a stylized graphic of three horizontal bars in blue and yellow.

## News Release

28 November 2019

### **SGX RegCo sharpens tools used to deal with market manipulation risk**

Singapore Exchange Regulation (SGX RegCo) has sharpened the tools used to deal with manipulation risk in the stock market by restricting accounts involved in unusual activities in a stock and concurrently issuing a Trade with Caution alert on the same stock.

This is on top of other tools to address manipulation risk including:

- The joint publication in August 2019 with the Monetary Authority of Singapore (MAS) of a MAS-SGX Trade Surveillance Practice Guide setting out principles on developing and implementing robust trade surveillance operations to enable Members to curb misconduct as early as possible.
- The publication in May 2018 and September 2016 of the SGX Trade Surveillance Handbooks to improve Members' understanding of improper market conduct and set out guidelines on how they can improve their internal surveillance programme to detect and prevent misconduct.
- The launch also in September 2016 of the Members' Surveillance Dashboard to alert each Member to potential market misconduct relating to that Member's trades. Each report contains statistics and information on activities which could be related to market misconduct, including the number of alerts triggered by SGX RegCo's surveillance system attributed to the clients or trading representatives of the Member and the related trading account details.
- SGX RegCo's discretion to disregard artificial distortions to share prices if we suspect the share price has been manipulated so as to enable the company to circumvent certain share price or market capitalisation thresholds in the Listing Rules.

With the implementation of these measures, the number of alerts triggered for manipulation has declined. SGX RegCo has meanwhile received requests to review the Minimum Trading Price (MTP)<sup>1</sup> rule, which had been consulted on in 2014 and put in place thereafter, also to address manipulation risk. Following our review, we are proposing that the MTP rule be removed.

"Market manipulation is a serious matter and we are always fine-tuning our regulatory tools to make them more targeted and efficient; our latest enhancement is the combination of a Trading Restriction with a Trade with Caution alert. Taken together, these tools have a more direct impact on reducing manipulation risk and a review of the Minimum Trading Price policy is therefore timely," said Tan Boon Gin, CEO of SGX RegCo.

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<sup>1</sup> The MTP framework was proposed in 2014 for companies whose share prices were below S\$0.20. In 2016, the MTP requirement was refined; a company only enters the MTP watch-list if its share price is below S\$0.20 and its market capitalisation is below S\$40 million. Companies have 3 years to exit the watch-list, failing which it may be delisted.

In addition, improvements will be made to the financial watch-list which serves to alert investors to financially weak companies. To prevent circumvention of existing requirements which a company must satisfy to exit the watch-list, SGX RegCo will take into consideration whether profits the issuer recorded were due to non-recurrent income or items generated by activities outside of the ordinary course of business, and whether its auditor has issued an adverse or disclaimed audit opinion, or a material uncertainty relating to going concern on the company's accounts.

The public consultation is open till 27 December 2019. In the meantime, SGX RegCo will not add companies to the MTP watch-list until and unless it is determined that the MTP framework should be retained in its current form. Companies currently on the MTP watch-list may continue to exit under the existing criteria at the half-yearly reviews.

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### **About Singapore Exchange**

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