News Release

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SGX RegCo adopts risk-based approach to quarterly reporting, mandates more robust disclosures on matters of high impact

Singapore Exchange Regulation (SGX RegCo) will apply quarterly reporting (QR) requirements only for companies associated with higher risks while strengthening continuous disclosure requirements on all listed companies. These changes are part of continuing efforts by SGX RegCo to enhance its regulatory regime by taking a more targeted approach. SGX RegCo will also make explicit the scenarios where material information must be disclosed on a timely basis.

The risk-based approach to QR replaces the current reporting requirement based on companies meeting a certain minimum market capitalisation, an approach which market participants have deemed as being too arbitrary and not meaningful in targeting companies that should be doing more frequent reporting. This brings us in line with other global markets, including Hong Kong, Australia, the U.K. and other E.U. countries[1].

A risk-based approach is more appropriate because it targets companies that are of greatest concern to regulators and investors, enabling more effective monitoring of how their concerns are being addressed. In contrast, a reporting requirement based on market capitalisation would not necessarily cover these companies.

Under the new approach, a company will have to report its financials on a quarterly basis if:

- It has received a disclaimer of opinion, adverse opinion or qualified opinion from its auditors on its latest financial statements;
- Its auditors have expressed a material uncertainty relating to going concern on its latest financial statements; or
- SGX RegCo has regulatory concerns with the company, for example if it has had material disclosure breaches or where it faces issues that have material financial impact.

All other companies need only do semi-annual reporting though they are encouraged to consider providing voluntary business updates to shareholders in between their half-yearly financial reports. Companies should consider their investors’ expectations, their competitive environment and their long-term business strategy when deciding whether to provide these voluntary updates.

In addition, SGX RegCo is strengthening continuous disclosures requirements in areas that are of high investor interest such as interested person transactions (IPTs), significant financial assistance, significant transactions and secondary fund-raising. Among others, the following will be implemented:

[1] Hong Kong requires QR for companies listed on the Growth Enterprise Market; Australia requires mining, oil and gas exploration companies, cash commitment companies and companies making a significant change to the nature or scale of their activities to produce quarterly cash flow reports; Europe has shifted from QR to semi-annual reporting for all companies.

- SGX RegCo will have powers with respect to IPTs to deem a person or entity an "interested person", and aggregate separate IPTs entered into during the same financial year and treat them as if they were one transaction, in appropriate circumstances;
- Requiring a competent and independent valuer to be appointed for significant asset disposals;
- Requiring additional disclosure for rights issues, including a Board statement on why the rights issue is in the company's interest, particularly if the company conducts a rights issue within one year from its previous equity fund-raising; and
- Extending the need for disclosure and shareholders' approval for the provision to third parties of significant financial assistance which is not part of the company's ordinary course of business.

These amendments will safeguard investors' interests in matters where they have indicated the greatest concern.

Further, SGX RegCo is making explicit that disclosure obligations apply not just to materially price-sensitive information but also trade-sensitive information[2]. SGX RegCo has therefore issued new guidance to issuers on situations requiring timely disclosure of material information.

SGX RegCo also set out its expectations on companies' handling of material information, including making immediate announcements where there is a change in the issuer's near-term earnings prospects or where there are ongoing developments.

The rules come after public consultations conducted in 2017 and 2018, and intensive engagements with stakeholders.

SGX RegCo has also established a whistleblowing office to more effectively address any tipoffs, feedback, complaints and short-seller reports on companies.

"In a rapidly evolving business landscape, it is important for companies to take a long-term perspective on growth, while communicating meaningfully with their stakeholders on how they are navigating through these changes. With the mandating of a risk-based approach to QR and more robust disclosure requirements, investors will be better-served by the information available to them for decision-making. The Whistleblowing Office will provide a channel for the market to give us feedback as we continue to closely monitor companies' disclosures and protect investor interest," said Tan Boon Gin, CEO of SGX RegCo.

SGX RegCo previously consulted the Corporate Governance Advisory Committee (CGAC) on the revised approach to QR. The CGAC's response is available here.

The effective date for the enhancements to the continuous disclosures requirements and the new approach to QR is 7 February 2020.

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[2] Trade-sensitive information is information that must be disclosed to avoid the establishment of a false market in the company's securities.

About Singapore Exchange

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