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Singapore Exchange Regulation's Proposed Reforms: What Investors, Listing Applicants and Issuers Should Expect from the Proposed Reforms

On 15 May 2025, the Singapore Exchange Regulation (“SGX RegCo”) issued a consultation paper¹ outlining amendments to certain areas of the regulatory framework, including a shift towards a more disclosure-based regime. This article examines the key reforms proposed by SGX RegCo to enhance the development of Singapore's equity capital markets, and the underlying rationales driving some of the key reforms. Finally, the article outlines what investors, listing applicants and issuers can expect from the SGX RegCo’s proposed reforms in the coming years before concluding.

The Reforms

We have reviewed the SGX RegCo’s consultation paper and consolidated the key reforms in the following table, for ease of reference (Please refer to the consultation paper for the full details on the reforms. Please also note that the key reforms are only proposals, and may be further amended by SGX RegCo):

Reform Area	Proposed Change	Summary
Shift to a Disclosure-Based Regime	<p>SGX RegCo proposes to move from merit-based to disclosure-based approach for certain qualitative criteria.</p> <p>The goal for the change is to empower market judgement while safeguarding listing quality.</p> <p>(Note: SGX RegCo proposes to retain its qualitative admission criteria in the areas of the listing applicant’s directors, management, and controlling shareholders, and its financial position (subject to the changes set out under section 2 of this table below) and its discretion to reject applications as it deems appropriate)</p>	<p>SGX RegCo proposes to move away from ex-ante merit-based judgement in the following areas set out below:</p> <p><u>i. Conflicts of Interests</u></p> <p>The requirement to resolve conflicts of interest before or after listing will be replaced with a disclosure obligation, and listing applicants will not be required to submit material contracts with any director, controlling shareholder or their associate to SGX RegCo.²</p> <p>SGX RegCo notes that some conflicts of interest may be impractical to be resolved or mitigated prior to or after listing, and thus proposes to adopt a less prescriptive approach, focusing on disclosure instead.</p> <p><u>ii. Internal Control Weaknesses</u></p> <p>The requirement to confirm the non-materiality of any weaknesses in its internal control and accounting systems identified in an auditors’ report to management will be replaced with a disclosure obligation.³</p>

¹ <https://regco.sgx.com/regco/public-consultations/20250515-consultation-paper-shift-more-disclosure-based-regime>

² Instead of resolving, listing applicants are to disclose material conflicts of interest situations, and the measures (if any) to resolve or mitigate the conflicts that are disclosed.

³ Instead of confirming, the listing applicant will be required to disclose any material internal control weaknesses, and its proposed remediation steps.

		<p><u>iii. Leasehold Period for Property Investment / Development Companies</u></p> <p>SGX RegCo proposes not to limit the proportion of properties with shorter-term leases in the portfolios of property investment / development companies.⁴</p> <p>SGX RegCo notes that the property and lease landscapes are constantly evolving and therefore, there is a need for flexibility for the listing applicant in managing its portfolios.</p> <p><u>iv. Compliance with Laws and Regulations</u></p> <p>The obligation to obtain all requisite approvals, and to confirm compliance with laws and regulations (that would materially affect its business operations) before listing will be removed.⁵</p> <p>SGX RegCo notes that there may be instances where requisite approvals are in the process of being obtained but may not be finalised prior to listing, or instances where the laws and regulations of the relevant jurisdictions might be unclear or uncertain on the regulatory approvals that are needed, and that the market should decide if it is willing to take the risk of investing in such companies.</p>
<p>Financial Position Requirements</p>	<p>Strengthen financial oversight while reducing restrictions</p>	<p>Listed below are the proposed changes to the financial requirements for listing applicants:</p> <p><u>i. Unmodified Audit Opinion</u></p> <p>The audited financial statement submitted by a listing applicant with its application must not be subject to an adverse opinion, qualified opinion, or disclaimer of opinion by the auditors.</p> <p>There should be no material financial or going concern issues existing at the point of listing.</p> <p><u>ii. Debt Arrangements</u></p> <p>There would be no prohibition on loan or debt arrangements between a listing applicant group and its directors, substantial shareholders, and companies controlled by its directors and substantial shareholders.⁶</p> <p>SGX RegCo notes that most major markets do not prohibit such arrangements.</p>

⁴ SGX RegCo will instead require that (a) material issues arising from a portfolio with predominantly shorter-term leases be sufficiently disclosed; and (b) the risks and implications of such a portfolio, and the plans (if any) to manage the listing applicant's portfolio properties' lease profiles post-listing to be disclosed.

⁵ However, if the listing applicant does not provide such confirmation, it must disclose any potential approval, legal, and compliance issues that would materially affect its business operations.

⁶ Such arrangements would have to be disclosed should they give rise to actual or potential material conflicts of interest situations.

		<p><u>iii. Use of Surplus Arising from Revaluation of Plant and Equipment</u></p> <p>To allow the use of revaluation surplus to calculate net tangible assets per share or to issue bonus shares.</p> <p><u>iv. Board Attestation on Profit Projections</u></p> <p>Profit projections would be removed from the matters to be covered in the auditors' letter to be submitted to the Exchange after the listing applicant receives the approval-in-principle.⁷</p>
Profit Test Adjustment	Review relevance of S\$30 million pre-tax profit criterion	<p>SGX RegCo is seeking feedback on the relevance of the S\$30 million profit criterion, and if it is not relevant, whether it should be removed or reduced.</p> <p>If the figure is reduced, SGX RegCo considers a range of S\$10 million to S\$12 million to be a suitable threshold instead.</p> <p>To also delete the exception for temporary low profits.</p> <p>SGX RegCo noted that the criterion requiring a listing applicant to have a minimum consolidated pre-tax profit (based on full year consolidated audited accounts) of at least S\$30 million for the latest financial year, and have an operating track record of at least three (3) years, is rarely used for Mainboard admission.</p>
Life Science Companies	Relax listing criteria for life science companies	<p>To refine certain listing requirements for life science companies, including:</p> <p>(a) a reduction in the record of operations from three (3) years to two (2) years, with an additional requirement to be primarily engaged in laboratory research and development in respect of the identified products in the one (1) year prior to listing; and</p> <p>(b) the successful development of at least one of the listing applicant's identified products beyond the concept stage.</p>
Auditing Standards	Expand accepted auditing standards	The annual financial statements submitted together with the listing application may also be audited in accordance with the auditing standards established by the Public Company Accounting Oversight Board, in addition to the standards presently prescribed.
Removal of Financial Watch-List	Eliminate automatic watch-list for financially distressed issuers	To remove the Financial Watch-list, with the requirement for issuers to announce on SGXNET when they have recorded

⁷ This would be in line with MAS' proposal in May 2025 that the onus should be on the issuer's Board to ensure that the prepared profit forecasts and profit estimates are consistent with the issuer's accounting policies, and that the underlying assumptions are reasonable.

		<p>pre-tax losses for the third consecutive financial year to be retained.⁸</p> <p>SGX RegCo has acknowledged that while the Financial Watch-list has been introduced in 2008 to prompt financial improvement, the introduction of the watch-list has resulted in unintended consequences. In particular, issuers placed under the watch-list had faced hurdles in securing funding, attracting investors, and retaining customers, ironically making it more difficult for these issuers to recover and exit the watch-list. This counterproductive outcome undermines SGX RegCo's original intent. SGX RegCo has therefore decided to remove the financial watch-list to eliminate such unintended consequences on issuers.</p>
Post-Listing Queries & Alerts	Reduce public queries and refine alerts	<p>SGX RegCo intends to step up on its approach to engage with issuers privately in most situations, and requiring announcements if the information is deemed materially price-sensitive or trade-sensitive.</p> <p>SGX RegCo will no longer issue public trading queries if it detects unusual trading activity, and would engage the issuer privately instead.</p> <p>To limit the validity period of trade-with-caution ("TWC") alerts to two (2) weeks from the time the TWC alert is issued.⁹</p>
Trading Suspensions	Limit suspensions to severe cases	<p>To recalibrate trading suspensions for issuers in financial difficulty. Suspensions will only be considered where there is clear evidence of going concern issues, such as the commencement of formal insolvency or restructuring proceedings.</p> <p>Suspension may also be meted out if the issuer's Board of Directors is unable or unwilling to confirm and state the basis for the issuer's ability to continue as a going concern.</p>

What Should Listing Applicants, Issuers and Investors Expect?

Listing applicants would welcome SGX RegCo's proposed reforms as the reforms make it more accessible for listings in Singapore, with certain issues (such as relevant approvals not being obtained before listing) which would have previously halted the listing exercise, shifted to a disclosure obligation. Investors can also take comfort in the fact that as SGX RegCo still retains its discretion in the qualitative admission criteria, the relaxation of the listing criteria under the proposed reforms would not compromise the quality of listings in Singapore.

That said, with SGX RegCo's shift to a disclosure-based framework, issuers would have a greater responsibility to ensure transparent and accurate voluntary disclosures. In other words, issuers would likely be expected to

⁸ Pending the conclusion of the consultation, SGX RegCo will provisionally suspend the half-yearly reviews to place issuers on the Financial Watch-list, and issuers currently on the Financial Watch-list will not be directed to delist.

⁹ Where there are reasons to suspect the underlying conditions for the initial TWC alert still exist, another TWC alert may be issued, and a longer validity period may be specified, if necessary.

enhance voluntary disclosure and corporate governance standards. As a result, the composition of Independent Directors within the issuer's Board of Directors may be strengthened over time.

The focus is to attract quality listing applicants with sound financial fundamentals and having founders who have character and integrity. These proposed reforms will also overturn the previous approach of requiring all issues to be resolved or mitigated prior to submitting a listing application. This, in turn, places the onus on the listing applicant to ensure compliance without affecting its listing plans. The safeguards that will be in place are (a) enhanced disclosures in the prospectus and (b) placing the onus on the listing applicant to ensure relevant information to the investors are disclosed in the prospectus. The proposed reforms facilitate the time required to market initial public offering (IPO) launches and overall, the proposed reforms would promote SGX-ST as a more attractive listing platform.

Conclusion

The reforms, to the extent that they are implemented, will mark a move towards a more comprehensive set of Listing Rules by increasing regulatory oversight over certain aspects of the market, while at the same time broadening certain admission criteria and regulatory standards.

Should you have any queries on this update or generally, please feel free to contact any one of the undersigned.

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