REGIONAL UPDATE
SINGAPORE

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LISTING ADVISORY COMMITTEE'S RECOMMENDS THE LISTING OF DUAL-CLASS SHARES ON THE SGX

Earlier this year, the Singapore Companies Act (the "**Companies Act**") was amended to remove the one-share-one-vote rule in public companies, paving the way for the Singapore Exchange Securities Trading Limited ("**SGX**") to consider permitting dual-class shares ("**DCS**") to be listed in Singapore.

Following the latest Companies Act amendments, the Listing Advisory Committee ("**LAC**") of SGX had on 29 August 2016 indicated that it is in favour of allowing the listing of DCS, subject to appropriate safeguards. SGX believes that such a move will increase Singapore's attractiveness as a listing venue for quality companies, thereby providing investors' access to a greater variety of companies and sectors.

Briefly, a DCS structure will give certain shareholders voting power or other related rights disproportionate to their shareholdings. For instance, a company may have one class of shares that carry one vote each and another class of shares that carry multiple votes each. A DCS structure allows holders of multiple-voting shares, typically the founders or owners managing the company, to have voting control without the corresponding financial investment risk.

SGX recognises that there are risks associated with DCS structures, and has proposed the following measures to mitigate such risks.

Safeguards against risks associated with DCS structures

(i) Safeguards against risks of poor quality listing
The LAC was in favour of SGX conducting a holistic assessment of the listing applicant when determining whether it is suitable to list using a DCS structure, by taking into account the company's industry, size, operating track record and whether sophisticated investors have participated in any fund raising by the company. During the initial period after the establishment of a DCS listing framework, SGX also proposed referring listing applications of companies with a DCS structure to the LAC for its review and advice, provided that SGX first conducts an assessment of such listing applicant's suitability to list.

(ii) Safeguards against entrenchment risks
SGX highlighted the risk of owner managers entrenching themselves and their voting rights in the company. To mitigate this risk, the LAC was in favour of SGX restricting the DCS structure to a maximum voting differential of 10:1 (a commonly adopted voting differential in other jurisdictions) and prohibiting post-listing issuance of multiple-voting shares.

(iii) Safeguards against expropriation risks
To minimise the risks of owner managers seeking to extract excessive private benefits from the company to the detriment of minority shareholders, LAC has backed SGX's recommendation to enhance the independence element and presence of independent directors in companies with a DCS structure. This will provide some level of assurance that there is independent scrutiny of the owner manager's decisions.

(iv) Safeguards against risk of lack of clarity
SGX proposes to increase investor awareness with regards shareholder rights in DCS structures, by requiring companies to provide clear disclosure of shareholder rights, and implement investor education initiatives.

SGX will now consider LAC's advice, and consult with stakeholders and the public before any rules permitting DCS structures are implemented.

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