Secondary Listings on the SGX - Key Requirements and Considerations

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Introduction

As at 13 January 2016, there are 34 companies with a secondary listing on the Singapore Exchange Securities Trading Limited (the "SGX"). Out of these companies, 7 achieved their secondary listing on the SGX in the past 5 years.

This article seeks to highlight the key considerations and criteria for a foreign company exploring a secondary listing of its shares on the SGX Main Board.

Typical rationale for seeking a secondary listing on the SGX

There are various reasons why a foreign issuer may wish to seek a secondary listing on the SGX.

Some of these reasons could include the following:-

1. A secondary listing on the SGX could enhance an issuer's public image in the Asian region as well as internationally. Approximately 40% of the over 760 listed companies on the SGX come from overseas and, as at 13 January 2016, there were 34 companies with a secondary listing on the SGX-ST.
2. The depth of the issuer's shareholder base could be enlarged and improved, thereby improving liquidity in the trading of its securities, especially if there is limited liquidity in the domestic market where the issuer is primarily listed. This could also result in more efficient share prices arising from trading in an additional market.
3. The issuer would be able to tap into other capital markets to fund its business growth and expansion. It would also provide investors and the Singapore public an opportunity to participate in the equity of the company.
4. There could be strategic or other considerations specific to a particular company. For instance, given Singapore's continued development as a life sciences hub for the region, there could be possible long term strategic considerations for a life science or biomedical company that is already listed in a foreign jurisdiction to seek a secondary listing on the SGX.

Key rules and criteria prescribed by the SGX

The SGX Listing Manual prescribes certain rules and criteria for foreign companies seeking a secondary listing on the

SGX Mainboard. Highlighted below are some of the key rules and criteria that potential foreign issuers should be mindful of:-

1. The SGX Mainboard listing requirements specified in the SGX Listing Manual would need to be satisfied by the foreign issuer[1].
2. The foreign issuer must already be listed or will be concurrently listed on a foreign stock exchange and must or will be subject to the listing or other rules of the primary home exchange.
3. The foreign issuer must have at least 500 shareholders worldwide, or at least 500 shareholders in Singapore or 1,000 shareholders worldwide if there is no established framework for the movement of shares between the SGX and the primary home exchange.
4. The foreign issuer does not need to comply with the SGX's listing rules provided it undertakes to:-

   (a) release all information and documents in English to the SGX at the same time as they are released to the home exchange;

   (b) inform the SGX of any issue of additional securities in a class already listed on the SGX and the decision of the home exchange in relation there to this; and

   (c) comply with such other listing rules as may be applied by the SGX from time to time.
5. The financial statements submitted for a secondary listing application and future periodic financial reports have to be reconciled to the Singapore Financial Reporting Standards, International Financial Reporting Standards or United States Generally Accepted Accounting Principles.
6. All securities are to be quoted in Singapore dollars, unless the SGX agrees to a quotation in a foreign currency or unless the Monetary Authority of Singapore requires otherwise. The foreign issuer is encouraged to consult the SGX if it prefers a quotation in a foreign currency.
7. Arrangements satisfactory to the SGX must be made to enable shareholders in Singapore to register their shareholdings promptly.
8. A foreign company seeking a listing on the SGX must have at least two Singapore resident independent directors.
9. There is no moratorium requirement on promoters' shareholdings in the case of a secondary listing.
10. It should be noted that the SGX has absolute discretion concerning the admission of an issuer to its official list and the quotation of its securities, and may approve listing applications unconditionally or subject to conditions. The SGX may also vary any such conditions or impose additional conditions and prescribe additional or other requirements for the listing of specific types of issuers.
11. A company with a secondary listing on the SGX Mainboard must, on a continuing basis, maintain its listing on its home exchange, be subject to all the applicable listing rules of its home exchange (unless a waiver has been obtained for any non-compliance) and provide an annual certification in the form prescribed in the listing rules that it has complied with the applicable continuing listing obligations in the SGX listing manual.

In addition, SGX had on 3 November 2014 further streamlined its rules for secondary-listed companies to further enhance its stock market.

Under the new framework, SGX will deem a company as coming from a "developed" jurisdiction if both the Financial

Times Stock Exchange ("FTSE") and Morgan Stanley Capital International ("MSCI") classify the jurisdiction of the company's home exchange as "developed". FTSE and MSCI, which are leading international index providers, have currently classified 23 jurisdictions including Singapore as "developed". SGX will treat all other jurisdictions as "developing".

Where a company is secondary-listed on SGX, and primary-listed on the main board of any of the 22 developed jurisdictions other than Singapore, SGX will not impose additional regulatory requirements under the new framework. Such a company must remain primary-listed on its home exchange and comply with all relevant rules of its home exchange.

For a company from a developing jurisdiction, SGX will review its home exchange's legal and regulatory requirements and may impose additional requirements to enhance shareholder protection and corporate governance standards.

SGX will continue to assess whether a company seeking a secondary listing is suitable for the Singapore market, including whether it can meet the admission criteria for SGX.

Other considerations

1. A foreign issuer may want to consider the differences between a dual primary listing or a secondary listing on the SGX; and a listing with a share offering or a listing by way of introduction, to determine which listing structure best suits its requirements:-

   (a) In a dual primary listing, the issuer is primarily listed on both the home exchange as well as the SGX, and would need to comply with the listing rules of both exchanges. In the case where the issuer is primarily listed on the home exchange and secondarily listed on the SGX, the issuer needs to comply with the listing rules of the home exchange but generally does not need to comply with the SGX's listing rules save for certain minimal requirements (as discussed above).

   (b) An issuer may carry out an offering of its securities, in connection with its listing on the SGX. Alternatively, an issuer may list its securities on the SGX by way of introduction without any offer being made for the subscription/sale of its securities if it complies with the relevant shareholding spread requirements.

2. A share migration arrangement would need to be implemented between the relevant primary home exchange and the SGX, if there is no existing direct trading or settlement system established between the primary home exchange and the SGX.

3. A comparative study on the differences between Singapore's company law and the foreign jurisdiction's company law may need to be prepared for inclusion in the prospectus/introductory document to be issued by the issuer in connection with the secondary listing on the SGX.

4. In addition, to facilitate the SGX's review of the foreign issuer's listing application, a comparative study on the differences between the listing rules of the home exchange and the SGX listing rules may need to be prepared and submitted.

5. The issuer should also bear in mind that different time zones, trading characteristics (including trading volume and liquidity), trading rules and investor bases (including different levels of retail and institutional participation) may result in different trading prices on the SGX and the primary home exchange.

6. Additionally, there is a practical issue to consider in relation to substantial shareholding disclosure requirements. Singapore shareholders may have to disclose their shareholdings above a certain percentage or threshold on the

primary home exchange of the foreign issuer in accordance with the listing rules of the primary home exchange and/or the laws of the country of incorporation of the foreign issuer. Exemptions may need to be explored or a system put in place to facilitate such disclosure.

7. The foreign issuer should consider which currency it wishes to use for quotation of its shares on the SGX. If it prefers a quotation in a foreign currency, the issuer should consult the SGX. Currently, there are securities traded on the SGX in the United States dollar, Hong Kong dollar, Australian dollar, Euro and Japanese yen.
8. Generally, shares are traded on the SGX in board lots of 100 shares. The foreign issuer would need to decide on the board lot for its shares for trading on the SGX, and consult the SGX where the proposed board lot is other than 100 shares.

Conclusion

With the current financial crisis continuing to affect Western economies with no clear rebound in sight, an increasing number of companies are looking to Asia for growth, including listing and fund raising opportunities. In tandem with such a trend and as the SGX seeks to strengthen its position as the preferred venue for companies with a focus on the Asian region, we can expect to see a continued interest in foreign issuers seeking a dual listing on the SGX.

Whilst the potential benefits and upside of a secondary listing on the SGX would be key factors to be considered by a potential applicant, the applicant should also be mindful of the regulatory requirements and possible practical constraints, and should seek appropriate professional advice in deciding whether to proceed with such an exercise[2].

Endnotes:

[1] Under Rule 210(2) of the SGX Listing Manual, an issuer applying for listing of its equity securities on the SGX Mainboard must satisfy, in addition to other requirements, one of the following quantitative criteria:-

(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 has an operating track record of at least three (3) years;

(b) profitable in the latest financial year (pre-tax profit based on the latest full year consolidated audited accounts), has an operating track record of at least three (3) years and has a market capitalisation of not less than S$150 million based on the issue price and post-invitation issued share capital; or

(c) operating revenue (actual or pro forma) in the latest completed financial year and a market capitalisation of not less than S$300 million based on the issue price and post-invitation issued share capital. Real Estate Investment Trusts and Business Trusts who have met the S$300 million market capitalisation test but do not have historical financial information may apply under this rule if they are able to demonstrate that they will generate operating revenue immediately upon listing.

[2] Editor’s note: For the perspective of a Singapore-listed company seeking dual listing in Singapore and a foreign exchange, please refer to the June 2011 edition of the Rodyk Reporter which published an article, "Dual Listings - A Singapore Perspective", which discussed the key considerations that a Singapore company should take into account in a dual listing.

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