

SGX to inspect over 550 listed firms on governance code

Its new chief regulatory officer expresses surprise that many firms sees Code as one of best practice instead of compliance

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THE Singapore Exchange (SGX) has decided to review more than 550 mainboard-listed companies' compliance with the local Code of Corporate Governance, its new chief regulatory officer said on Monday, hinting that some firms have failed to meet the bourse's "comply or explain" rule.

But Tan Boon Gin said the SGX does not plan to name companies that have been found wanting, which has led market watchers to question the deterrent effect of the review.

Speaking at the launch of Singapore Corporate Governance Week 2015 at Raffles City Convention Centre, Mr Tan said that in his three months at SGX, he has been surprised at the number of times the Code has been referred to as "optional or best practice" rather than a compliance requirement.

The bourse is "conscious of the misconceptions or lack of awareness" about the Code, which "may have led to inadvertent failures to adhere to our rules", he said; it intends to publish the review findings on a "statistical and no-name basis" and will work with errant companies "on a one-on-one basis" to improve their compliance.

He did not specify the punishments that would befall companies who fail to follow the SGX's "comply or explain" listing rule, which SGX said had been imposed in January 2003.

But Mr Tan, a former Commercial Affairs Department director, warned in his speech that SGX has since been bestowed new enforcement powers to deal with breaches of listing rules; where it previously could, at most, only issue a public reprimand or delist a company, it can now apply to independent committees with the teeth to levy fines and deny firms access to the securities market.

Market watchers said the bourse's planned Code compliance review would benefit the local market, though they added that the review might not include evaluating the quality of a listed company's explanation for non-compliance - something that investors may have to do themselves.

Some suggested that the review could be even more effective if the firms that refuse to comply or offer explanation for flouting the rules are publicly named.

Corporate governance specialist Mak Yuen Teen, calling the review "long overdue", suggested

that the bourse could spend a year or two educating Singapore-listed firms about compliance with the Code, to give a chance to companies that currently fail to do so, and come down harder on errant firms only thereafter.

Mr Mak, an associate professor at the National University of Singapore Business School, pointed out, however that while the SGX can bring its full enforcement powers to bear on listed companies that refuse to either comply with the Code or explain their deviations, it may not be able to do much if companies furnish only "boilerplate" or meaningless explanations.

In such cases, investors can play a crucial role by putting pressure on firms, and it is here that the SGX can lend a hand by publicly naming these errant companies, he said.

Kenneth Yap, chief executive officer of the Accounting and Corporate Regulatory Authority (Acra), told a panel at the Monday launch that Singapore's corporate governance culture still has room to grow. For instance, Acra recently found some directors reluctant to answer questions about their choice of accounting methods, he said.

SGX said in a statement on Monday that it has picked KPMG to do the review, which will take into account all parts of the Code. Expected to be done in February, it will cover the annual reports of more than 550 mainboard-listed companies released in the 12 months up till June 30, 2015.

Singapore Corporate Governance Week, which runs until Friday, is being held by the Securities Investors Association (Singapore).

The guest of honour at the launch was Indranee Rajah, Senior Minister of State for Law and Finance.

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