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29th August 2011

**Corporate Regulations and Governance Unit
Economics Programmes Directorate
Ministry of Finance
Singapore 179464**

Re: Public Consultation on Review of Companies Act

Dear Sir

CFA Institute¹ and CFA Singapore² (collectively “CFA”) are pleased to comment on the review of the Companies Act. CFA Institute represents the views of investment professionals before standard setters, regulatory authorities, and legislative bodies worldwide on issues that affect the practice of financial analysis and investment management, education, and licensing requirements for investment professionals, and on issues that affect the efficiency and integrity of global financial markets.

CFA supports the Steering Committee’s efforts to improve the corporate governance of Singapore-listed companies by revising the Companies Act. Our comments are limited to certain sections of Chapter 2 of the Steering Committee’s report relating to shareholders rights and meetings.

Recommendation 2.2

Section 178(1)(b)(ii) should be amended to lower the threshold of 10% of total voting rights for eligibility to demand a poll to 5% of total voting rights.

CFA supports the move to lower the threshold to demand a poll from 10 percent to five percent of total voting rights. The lower threshold in conjunction with the other existing rule - that five members present can call for a poll - could encourage more shareholders to request for voting by poll at a shareholders meeting; hence improving standards of corporate governance.

¹ CFA Institute is a global, not-for-profit professional association of over 105,000 investment analysts, advisers, portfolio managers, and other investment professionals in 137 countries, of whom more than 93,000 hold the Chartered Financial Analyst® (CFA®) designation. The CFA Institute membership also includes 135 member societies in 58 countries and territories.

² Established in September 1987, CFA Singapore (formerly known as the Singapore Society of Financial Analysts - SSFA) is a professional body that brings together practitioners of the investment and fund management industry in Singapore. Its objectives are to lead the investment profession in Asia by setting the highest standards of ethics, education, and professional excellence and be considered the thought leader in shaping ethical and professional standards and, in furtherance of that goal, frequently partners with a diverse range of stakeholders including employers, regulators, CFA Institute, and investment professionals in Asia. With a membership base of more than 3,500 strong, CFA Singapore runs programs for members, CFA candidates, and the investment community, including professional development talks and seminars, networking sessions, CFA Program information sessions and examination review classes, and career development talks.

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Recommendation 2.10

Section 181 should be amended to the effect that, subject to contrary provision in the company's articles, members falling within the following two categories are allowed to appoint more than two proxies, provided that each proxy is appointed to exercise the rights attached to a different share or shares and the number of shares and class of shares shall be specified:

- (a) any banking corporation licensed under the Banking Act or wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; and**
- (b) any person holding a capital markets services license to provide custodial services for securities under the Securities and Futures Act.**

Recommendation 2.11

The Companies Act should be amended to allow the proposed multiple proxies to each be given the right to vote on a show of hands in a shareholders' meeting.

Recommendation 2.12

The Companies Act should be amended to bring earlier the cut-off timeline for the filing of proxies from 48 hours prior to the shareholders' meeting, to 72 hours prior to the shareholder's meeting.

CFA supports the efforts to promote shareholder engagement and this proposal to allow multiple proxies would promote shareholders' attendance at shareholder meetings held by listed companies whether in person or by proxy. We believe there is a rise in proxy voting activity at shareholder meetings with the growing interest on the part of institutional investors (particularly fund managers), to attend shareholder general meetings in person which may have prompted calls for the appointment of multiple proxies. The same is happening in Malaysia and the recent Corporate Governance Blueprint by Securities Commission Malaysia also supports the appointment of multiple proxies.

CFA agrees with the arguments stated in the consultation paper that the registered holder of the shares are not necessarily the beneficial holders and that amendment to the Companies Act is the best way to achieve uniform practice by companies rather than amending the articles of association.

The appointment of multiple proxies should take into account shares which are held in an omnibus account with layers of intermediaries behind it. CFA support the move to appoint

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multiple proxies as long as only one proxy is given for each beneficial holder of the shares.

CFA also supports the recommendation that each proxy be given the right to vote by hand or by poll in a shareholders' meeting and extending the cut off timeline for filing proxies to 72 hours, allowing more time for companies to process the proxies.

Recommendation 2.14

The Companies Act should be amended to give CPF share investors their shareholders' rights in respect of company shares purchased using CPF funds through the CPF Investment Schemes or the Special Discounted Share Scheme.

Recommendation 2.15

The multiple proxies regime recommended at Recommendations 2.10, 2.11 and 2.12 should be adopted to enfranchise CPF share investors.

CFA applauds the move by the Steering Committee to give CPF investors the rights to participate and vote at shareholders meetings. This can only lead to greater engagement by shareholders with directors of listed companies to improve governance and increase the awareness of shareholders rights and responsibilities. We appreciate the detail study conducted by the Steering Committee to achieve this goal through the three options; look-through mechanism, multiple proxies and a nomination mechanism. Although the look-through system is the most equitable solution for the CPF investor as it will consolidate all his holdings through Central Depository and CPF investment scheme; there are constraints as stated in the consultation paper that will need time to resolve. CFA agrees with the proposal to use the multiple proxy system in the interim to avoid delays in implementation of this proposal.

Recommendation 2.31

The Companies Act should not be amended to introduce a system of cumulative voting for the election of directors.

CFA **disagrees** with the proposal not to amend the Companies Act to introduce a system of cumulative voting for the election of directors. While it can be argued that the controlling shareholder can control the voting process, hence making cumulative voting generally ineffective; this can provide an important mechanism for minority shareholders to voice their opinion in relation to director representation. Cumulative voting is also becoming more prevalent

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internationally and is currently allowed in; Chile, Italy, Russia, USA, Philippines, Taiwan, South Korea and China. In order to foster greater shareholder activism and minority shareholder participation, CFA suggests that cumulative voting for the election of directors be re-considered and be incorporated in the Companies Act.

Concluding Comments

CFA Institute and CFA Singapore are pleased to submit our views on these proposed revisions to the Companies Act. If you or your staff have questions or seek clarification of our views, please feel free to contact Lee Kha Loon, CFA, at 603.8023.4413 or khaloon.lee@cfainstitute.org; or Tony Tan, CFA, at 65.9455.7295 or secretariat@cfasingapore.org;

Sincerely,

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