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23 June 2011

Attention: Ms Chia Caihan / Ms Valerie Hoon  
Risk management and Regulation Group  
Singapore Exchange Limited  
2 Shenton Way  
#19-00 SGX Centre 1  
Singapore 068804

*Re: Proposed Amendment to SGX Listing Rules: 704:14, 704:13, and 704:12*

Dear Ms. Caihan and Ms Hoon:

CFA Institute<sup>1</sup> and CFA Singapore<sup>2</sup> are pleased to comment on the *Proposed Amendments to SGX Listing Rules: 704:14, 704:13, and 704:12* issued by the Singapore Exchange (the “SGX”). 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.

### Executive Summary

CFA Institute and CFA Singapore support SGX’s efforts to improve the corporate governance of Singapore companies by amending the listing standards of Singapore listed companies. We believe that requiring domestic SGX listed companies to hold their general meetings in Singapore, instituting poll voting in all general meeting resolutions and requiring timely disclosure of general meeting voting results will improve the corporate governance of Singapore listed companies and will allow for greater shareowner participation in the governance of the companies they own.

CFA Institute has written often on the subject of corporate governance and shareowner rights, most recently in; *The Corporate Governance of Listed Companies: A Manual for Investors*,

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<sup>1</sup> 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.

<sup>2</sup> 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 the thought leader and premier partner for our stakeholders including employers, regulators, CFA Institute and investment professionals in Asia. With a membership base of more than 3,500 strong, the Society runs programs for members, CFA candidates and also the investment community, including professional development talks and seminars, networking sessions, CFA information sessions and examination review classes, and career development talks.



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*Second Edition (2009) Shareowner Rights across the Markets: A Manual for Investors - Singapore (2011) and Shareholders Rights in Asia – Are Shareholders flexing their muscles to protect themselves (2010)?*

## **Comments on Specific Proposals**

### **Part 1: Place of General Meetings**

CFA Institute and CFA Singapore support the SGX proposal to amend Rule 704(13) to require issuers which are primary-listed on the Exchange to hold their general meetings in Singapore. If companies are required by law of their country of incorporation to hold general meetings within that jurisdiction, such companies should demonstrate to the SGX the restrictions in their jurisdictions that would prevent their general meetings from being held in Singapore. We agree with the SGX that such companies should provide alternative means (video conference, webcast, etc.) for local shareowners to participate in such meetings held outside Singapore.

### **Part 2: Voting by Poll**

CFA Institute and CFA Singapore believe that publicly traded companies should ensure that each share has one vote. A structure that permits one group of shareowners disproportionate votes per share creates the potential for minority shareowners to override the wishes of the majority of owners for personal interest. Show of hands voting therefore disenfranchises those shareowners whose true ownership stake is not reflected by the current voting standard.

We therefore welcome the SGX proposal to amend Rule 704(13) to require that all votes of shareowners at any general meeting should be taken by poll only. The standard would also eliminate potential duplicative voting practices that are currently allowed. Additionally, poll voting will also encourage higher levels of shareowner participation by institutional and overseas investors, who will be able to reflect their true voting power under such a standard.

However, one concern under the poll voting system is the rights of the minority shareholders. As studies of Singapore companies have shown, substantial shareholders generally form more than 50% of the company ownership structure. Hence, minority shareholders in such situations may have less incentive to attend and vote on resolutions at general meetings if the outcome of the results is perceived to be pre-determined. To address this concern, SGX may consider requiring a higher threshold for certain resolutions to be passed, and/or working from a maximum “against” vote percentage perspective.



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On implementation matters, as poll voting processes are well established in other developed markets and should be scalable to the circumstances of the Singapore market, we believe that SGX should consider reducing the timescale for implementation of poll voting to an earlier date.

We also support the amendment to Rule S704(12b); increasing the number of days notice that shareowners are given before a meeting to pass a special resolution. However, we ask for more time to be given to shareowners in the case of both a regular meeting and a special meeting. The current proposal calls for all notices convening meetings must be sent to shareholders at least 14 calendar days before the meeting (excluding the date of notice and the day of meeting). For meetings to pass special resolution(s), the current proposal states that the notice must be sent to shareholders at least 21 calendar days before the meeting (excluding the date of notice and the date of meeting). CFA Institute and CFA Singapore believe that a longer time frame of at least 30 days should be considered for notices for both regular meetings and special meetings. The time frame of at least a month gives all shareholders, especially institutional investors domiciled in other jurisdictions who own thousands of global companies adequate time to review the proposals they will vote on at each meeting.

### **Part 3: Disclosure of Voting Outcomes**

We are encouraged by the SGX proposal to require issuers to immediately (i.e. no later than the commencement of the pre-opening session on the market day following the general meeting) announce, after each general meeting, whether resolutions put to a vote at the meeting have been passed. Such transparency is in the best interest of shareowners, as they will know soon after the meeting how much support there is for each resolution.

We also support the proposal relating to post-vote disclosures. According to the SGX proposal, the poll results should include the total number of shares eligible to vote for each resolution at the general meeting; the total number of shares voted for and against each resolution and its representation as a percentage; the total number of proxy votes received; and the breakdown of the proxy votes received. We believe all of these changes would provide important and relevant information that shareowners need to make informed investment decisions.

The proposal also calls for an issuer to identify the scrutineer appointed for the vote-taking. We believe this disclosure allows investors to better understand whether the scrutineer of the election is competent and independent.

Finally, the amendment requires parties who have stated their voting intentions or abstentions be declared at the general meeting. We do not feel that shareowners should have to disclose their voting intentions before a vote, but we see no reason why those who wish to declare their vote or vote abstention should be kept from doing so. This may in fact allow for more transparency, as a shareowner who is barred from voting on a related party transaction can publicly demonstrate that they are not voting on such matters.



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### Concluding Comments

CFA Institute and CFA Singapore are pleased to submit its views on these Amendments to SGX Listing Rules, and applaud ongoing initiatives by SGX to strengthen governance among listed companies. If you or your staff have questions or seek clarification of our views, please feel free to contact either Lee Kha Loon, CFA, at +603.8023.4413 or [khaloon.lee@cfainstitute.org](mailto:khaloon.lee@cfainstitute.org); Tony Tan at +65.9455.7295 or [secretariat@cfasingapore.org](mailto:secretariat@cfasingapore.org); Matthew Orsagh, CFA, CIPM at +1.212.756.7108 or [matt.orsagh@cfainstitute.org](mailto:matt.orsagh@cfainstitute.org).

Sincerely,

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