

## SGX-ST Listing Rules

### Practice Note 7.2

#### Monitoring and Querying ~~Queries Regarding~~ Unusual Trading Activity

Details	Cross References
First issued on: 30 October 2002	Listing Rule 703 Appendix 7.1
Effective date: 1 November 2002 <a href="#">3 March 2014</a>	Practice Note 7.1
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#### 1. Introduction

- 1.1 This Practice Note provides information on the role of ~~the SGX Market~~ Surveillance (“Surveillance”) ~~and Enforcement (“MSE”) Department~~ and the procedures normally employed when an issuer is queried regarding trading in its securities.

#### 2. Unusual Trading Activity

- 2.1 As set out under Paragraph 18 of Appendix 7.1, unusual trading activity in an issuer's securities, without it being apparent that publicly available information could account for the activity, may signify trading by persons who are acting on unannounced material information or on a rumour or report, whether true or false.
- 2.2 The unusual market activity may not be traceable directly to unannounced information or to a rumour or report. Nevertheless, the market activity itself may be misleading to investors, who may assume that a sudden and appreciable change in the price of, or volume traded in, the issuer's securities reflects a corresponding change in its business or prospects.

### 3. Role of ~~Market Surveillance and Enforcement~~

- 3.1 ~~The MSE Department~~ Surveillance utilizes a real-time market surveillance system which employs the latest technology to automatically alert the ~~MSE Surveillance~~ officers to market behaviour such as unusual price and volume movements of an issuer's securities. The ~~MSE Surveillance~~ officer then examines whether public information, company specific news, counter-specific trends, industry trends, economic factors or prevailing market sentiment, can explain the market activity. If no explanation is apparent, the Exchange requires the issuer to inform the public whether it is aware of any material information that might reasonably be expected to have a significant effect on the trading volume or price of its securities.
- 3.2 ~~The MSE Department issues either a verbal query or written query~~ Surveillance will issue a query, depending on the extent of the unusual trading activity, measured against pre-determined thresholds set by the Exchange from time to time.

#### ~~3.3 Verbal Query~~

~~3.3.1 Generally, verbal queries on unusual trading activity would not be posted on SGXNET by the Exchange. The issuer is typically not required to post its response on SGXNET. However, if the issuer's response contains material information or the Exchange thinks the information ought to be released in the interests of an informed market, the Exchange may request the issuer to release its response via SGXNET. The Exchange retains the discretion whether to release its query on unusual trading activity on SGXNET.~~

~~3.3.2 MSE usually initiates a verbal query where the price or volume changes, whilst high, have not reached the thresholds which trigger the issuance of a written query. The verbal query, apart from potentially ascertaining the cause of the unusual trading activity, also serves as an alert to issuers of the unusual trading activity in its securities. This allows issuers to monitor the trading activity as a precautionary measure.~~

~~The MSE officers continue to monitor the trading activity of the issuer's securities after initiating the verbal query, and may follow up with a written query should trading activity justify such action.~~

~~3.3.3 The MSE officer will usually pose the following questions when making a verbal query:-~~

- ~~(a) Is the issuer aware of any information not previously announced concerning the issuer, its subsidiaries or associated companies which, if known, might explain the trading? If yes, the information must be announced immediately; and~~

~~(b) Is the issuer aware of any other possible explanation for the unusual trading?~~

~~Please note that these questions may be modified depending on the circumstances.~~

### ~~3.4.3~~ Written Query Query by Surveillance

~~3.4.1~~ 3.3.1 All ~~written~~ queries ~~issued by the Exchange~~ will be posted on SGXNET by the Exchange immediately ~~after they are issued~~. ~~Wherever possible, the~~ MSE Surveillance officer will make every effort to contact the issuer's authorized representatives ~~prior to issuing the written query~~, to alert the issuer to the Exchange's query.

~~3.4.2~~ 3.3.2 The ~~written~~ query will be ~~faxed~~ emailed to the issuer ~~and posted on SGXNET under Singapore Exchange Securities Trading Limited~~.

~~3.4.3~~ ~~Please refer to the applicable Proforma query letters below for information. The Exchange reserves the right to vary the contents of the letter depending on the circumstances.~~

## 4. **Response on receiving a query on unusual trading activity**

4.1 An issuer is expected to respond to a query ~~(whether written or verbal)~~ as soon as possible. Issuers should, therefore, ensure that they are operationally ready to respond promptly. In view of the importance of maintaining a fair and efficient market, issuers must, upon receiving a query from the Exchange, immediately undertake an enquiry to ascertain the cause of the unusual trading activity. Issuers should have in place, procedures to ensure that the enquiry or information gathering is carried out efficiently, systematically and promptly, so that the issuer is able to disseminate all material information as soon as possible.

4.2 Paragraph 20 of Appendix 7.1 sets out some possible causes for unusual trading and how issuers should respond to the queries based on different causes.

4.3 An issuer may wish to, where appropriate, request for suspension of trading in its securities or a trading halt ~~(upon implementation by the Exchange)~~. If so, the issuer should contact ~~Trading Management Department~~ Securities Market Control and provide a SGXNET announcement requesting for suspension or a trading halt, stating the reason for the suspension or trading halt. Where possible, it would be useful for issuers to inform investors when the issuer can respond to the Exchange's query and when the suspension of its securities or trading halt is expected to be lifted.

4.4 The person providing the reply to the Exchange must be authorised by the Board to do so. The directors of the issuer must collectively and individually take responsibility for the accuracy of the replies provided to the Exchange with regards to the query raised by Surveillance.

## **5. Secondary listings and issuers that are exempted from continuing listing obligations**

5.1 Issuers with a secondary listing on the Exchange and issuers that are exempted from the continuing listing obligations under Chapter 7 must comply with the home exchanges' disclosure requirements. Nevertheless, as the securities of such issuers are being traded on the Exchange, the Exchange must ensure that there is a fair and orderly market in these securities. Issuers may therefore be required to respond to queries regarding the trading of their securities on the Exchange. ~~Please refer to the applicable Proforma query for information.~~

## **6. Notification to the Exchange on specific transactions and privy persons**

6.1 Unusual trading activity could indicate possible leakage of material, price sensitive information. To facilitate closer monitoring of trading activities, where the Board of an issuer is:

- (i) made aware of discussions or negotiations on a potential proposal; or
- (ii) in discussion or negotiation on an agreement or document, whether binding or non-binding,

that is likely to result in any of the following transactions, the issuer would need to notify the Exchange without delay:

- (i) Takeover of the issuer, which includes a scheme of arrangement or delisting;
- (ii) Reverse takeover of the issuer; or
- (iii) Very substantial acquisition by the issuer.

6.2 Where the discussions or negotiations are carried out by a controlling shareholder of the issuer and without the knowledge of the issuer, that controlling shareholder shall (through their advisers or otherwise) notify the Exchange directly if the discussions or negotiations are likely to result in the above transactions.

6.3 The Exchange requires the notifications to be provided using the prescribed format. The notification shall cover the following:

- (i) Name of issuer;
- (u) Type of Transaction;
- (iii) Target Company (if applicable); and
- (iv) Details of the contact person.

6.4 The issuer and/or the controlling shareholder shall notify the Exchange if such discussions or negotiations cease.

6.5 The issuer and/or the controlling shareholder shall concurrently commence the maintenance of a list of persons privy to the transaction (“privy list”) in the prescribed format.

6.6 The Exchange reserves the right to request for the submission of a privy list as and when it deems necessary.

6.7 The privy list and notifications to the Exchange under paragraph 6.1 and 6.2 shall be emailed to [privylist@sgx.com](mailto:privylist@sgx.com) and will be kept confidential.

## **7. Conclusion**

7.6.1 This Practice Note sets out the normal procedures which ~~MSE Department~~ Surveillance undertakes when querying issuers on unusual trading activities. However, there may be instances when a different approach is warranted.

7.6.2 Issuers should also familiarize themselves with the Exchange’s Continuing Obligations, Corporate Disclosure Policy and any other relevant Practice Notes.

7.6.3 Issuers may consult their account manager in Issuer Regulation ~~Department~~ if they have queries on this matter.

**1. Proforma Written Query Letter For Issuers with Primary Listing**  
*Cross referenced from Para 3.1.3*

Dear [ ]

**Query regarding trading activity**

~~We have noted, and draw your attention to, a change in the [price/volume] of your shares on [date]. To ensure a fair and orderly market, please answer each of the following:~~

~~Question 1: — Are you aware of any information not previously announced concerning you (the issuer), your subsidiaries or associated companies which, if known, might explain the trading? If yes, the information must be announced immediately.~~

~~Question 2: — Are you aware of any other possible explanation for the trading?~~

~~Question 3: — Can you confirm your compliance with the listing rules and, in particular, listing Rule 703?~~

~~Question 4: — [other questions]~~

~~Please respond immediately via SGXNET. Where appropriate, you may want to request a suspension of trading or a trading halt. Please contact Trading Management Department (or, if you need to discuss the matter, your Account Manager in Issuer Regulation Department) immediately. Thank you for your cooperation.~~

~~We have released this letter via SGXNET.~~

~~Yours faithfully~~

~~RICHARD TENG  
HEAD, MARKET SURVEILLANCE~~

~~Notes:~~

- ~~1. — Subject to limited exceptions in Rule 703, an issuer must announce any information known to the issuer concerning it or any of its subsidiaries or associated companies which is necessary to avoid the establishment of a false market in the issuer's securities, or would be likely to materially affect the price or value of its securities must be publicly disclosed (Rule 703).~~
- ~~2. — An issuer must undertake a review to determine the causes of any unusual trading activity (paragraph 20 of Appendix 7.1).~~

- ~~3. An announcement should, among other things, state whether the issuer or any of its directors are aware of the reasons for the unusual trading activity and whether there is any material information which has not been publicly disclosed (Paragraph 31 of Appendix 7.1).~~
- ~~4. Your responsibility under listing rules is not confined to, or necessarily satisfied by, answering the questions in this letter.~~

**2. Proforma Written Query Letter For Issuers with Secondary Listing  
Or For Issuers Exempted From The Continuing Listing Obligations**

*Cross referenced from Para 3.1.3 and 5.1*

Dear [ ]

**Query regarding trading activity**

We have noted, and draw your attention to, a change in the [price/volume] of your shares on [date]. To ensure a fair and orderly market, please answer each of the following:

Question 1: — Are you aware of any information not previously announced concerning you (the issuer), your subsidiaries or associated companies which, if known, might explain the trading? If yes, the information must be announced immediately.

Question 2: — Are you aware of any other possible explanation for the trading?

Question 3: — [other questions]

Please respond immediately via SGXNET. Where appropriate, you may want to request a suspension of trading or a trading halt. Please contact Trading Management (or, if you need to discuss the matter, your Account Manager in Issuer Regulation) immediately. Thank you for your cooperation.

We have released this letter via SGXNET.

Yours faithfully

**RICHARD TENG**  
**HEAD, MARKET SURVEILLANCE AND ENFORCEMENT**