

DEFINITIONS AND INTERPRETATION

Term	Meaning
“covered warrants”	<u>structured</u> equity securities carrying rights: (a) to purchase from, or sell to, the person issuing them (not being the listed issuer) the underlying financial instrument in accordance with the terms of issue; or (b) to receive from the person issuing them (not being the listed issuer) a cash payment calculated by reference to the fluctuations in the value or price of the underlying financial instrument in accordance with the terms of issue
<u>“Designated Market-Maker”</u>	<u>an entity approved as a Designated Market-Maker in accordance with the Rules and Bye-Laws of SGX-ST</u>

CHAPTER 5
COVERED STRUCTURED WARRANTS

PART I SCOPE OF CHAPTER

501 This Chapter sets out the requirements for the listing of ~~covered~~ structured warrants issued by third party issuers. Other warrants issued by third-party issuers will be considered if they qualify as securities.

PART II REQUIREMENTS FOR AN ISSUE OF ~~COVERED~~ STRUCTURED WARRANTS

502 ~~Covered~~ Structured warrants must be issued by a third-party issuer which is:-

- (1) a reputable financial institution with minimum shareholders' funds, unimpaired by losses or provisions, of US\$500 million or its equivalent; and
- (2) supervised by a monetary or securities regulatory authority.

503 A financial institution which does not meet the capital requirements in Rule 502(1) must:-

- (1) have its obligations under the issue guaranteed by another financial institution which meets the requirements in Rule 502; or
- (2) fully collateralize the whole issue and deposit the underlying securities with an independent trustee, custodian or depository approved by the Exchange on terms that adequately protect the interests of the warrant holders; or
- (3) have a long term rating of investment grade or its equivalent from a recognised credit rating agency.

PART III REQUIREMENTS RELATING TO THE UNDERLYING SECURITIES

504 Where an issue of ~~covered~~ structured warrants is based on securities which are listed or quoted on the Exchange:-

- (1) the paid up capital of the listed company must be at least S\$200 million or the market capitalisation of the listed company must have been at least S\$500 million over the past 30 market days;
- (2) the number of ~~covered~~ structured warrants to be issued, together with those ~~covered~~ structured warrants already issued by all third-party issuers which are still outstanding, must not exceed 50% of the issued securities of the company. In computing the 50% limit, company warrants issued by the company itself will not be included.

505 Where an issue is based on securities of a ~~foreign entity~~ an entity that is not listed or quoted on the Exchange:-

- (1) the securities must be listed or quoted on an acceptable stock exchange;
- (2) the ~~foreign~~ entity must be an entity that would be able to meet the requirements in Rules 210(2), (3) and (4) for listing of equity securities;
- (3) the paid up capital of the entity must be at least S\$200 million (or its equivalent) or the market capitalisation of the foreign entity must have been at least S\$500 million (or its equivalent) over the past 30 market days of that market;
- (3) (4) the number of ~~covered~~ structured warrants to be issued, together with those ~~covered~~ structured warrants already issued by all third-party issuers which are still outstanding, must not exceed 50% of the issued securities of the ~~foreign~~ entity. In computing the 50% limit, company warrants issued by the ~~foreign~~ entity itself will not be included.

506 Subject to Rule 507, no structured warrants may be issued on securities that are not listed or quoted on a stock exchange.

~~506~~ 507 An issue of ~~covered~~ structured warrants may also be based on accepted stock indices or baskets of securities, both local and foreign. If the issue is based on a basket of securities, Rule 504 or Rule 505 (as the case may be) applies to each of the companies making up the basket.

PART IV OTHER REQUIREMENTS

~~507~~ 508 The following rules apply to all categories of ~~covered~~ structured warrants:

Placement and Holder Size

- (1) At least 75% of an issue must be placed out to a minimum of 100 warrant holders. This requirement does not apply if there is a Designated Market-Maker for the structured warrants.

Board Lot Size

- (2) The minimum board lot size for ~~covered~~ structured warrants based on listed or quoted securities must follow the board lot size in which such securities are traded. For example, if the board lot size of the underlying share is 200 shares per board lot, the warrant must also be issued in board lots of 200 warrants.
- (3) For ~~covered~~ structured warrants based on stock indices and baskets of securities, the board lot size must be 1000 warrants per board lot.

Issue Price

- (4) The minimum issue price for ~~covered~~ structured warrants must be S\$0.20 per warrant. The minimum contract value for each board lot must be S\$200.

Issue Size

- (5) The minimum issue size must be:-
 - (a) S\$5 million (or its equivalent); or
 - (b) S\$2 million (or its equivalent) if there is a Designated Market-Maker for the structured warrants.

Tenure of Issue

- (6) The tenure of the ~~covered~~ structured warrant must not exceed three years from the date of issue or such longer time as the Exchange allows.

Exercise Settlement

- (7) On exercise, ~~covered~~ structured warrants must be either physically settled or cash settled. The settlement method must be specified at the time of the launch of an issue. The issuer must not have an option to elect for settlement either in shares or cash upon exercise of the ~~covered~~ structured warrants.
- (8) An issuer must decide on the method for determining the cash settlement price at the time of the launch of an issue. The settlement price must be either:-

- (a) the average of the closing prices of the underlying securities (subject to any adjustment to reflect any capitalization issue, rights issue, distribution or the like) for the 5 market days prior to and including the market day immediately before the relevant exercise/expiry date; or
- (b) the closing price of the underlying securities on the market day immediately before the exercise/expiry date.

Conversion Ratio

- (9) For the exercise of ~~covered~~ structured warrants based on individual securities, the conversion ratio must be:-
 - (a) one warrant for one share;
 - (b) ten warrants for one share; or
 - (c) such other ratio as the Exchange may allow. Normally, the Exchange will consider conversion ratios of 25, 50 or 100 warrants for one share, or the reverse.

Adjustments

- (10) The terms of the issue must provide for adjustment to the exercise price and, where appropriate, the number of securities which each ~~covered~~ structured warrant carries the right to sell or purchase, in the event of any capitalization issue, rights issue, distribution or the like relating to the underlying securities.

Designated Market-Maker

- (11) If there is a Designated Market-Maker in respect of the issue, the Exchange must be satisfied that the Designated Market-Maker's obligations are likely to be fulfilled. If the Designated Market-Maker ceases to perform its obligations, the issuer must appoint another Designated Market-Maker for the issue. The issuer must announce the appointment at least two weeks before the existing Designated Market-Maker ceases performing its obligations.

PART V DISCLOSURE REQUIREMENTS

- ~~508~~ 509 (1) An issuer must issue an offering memorandum, or base and supplemental listing documents, in connection with an issue of ~~covered~~ structured warrants for which listing is sought.

- (2) A base listing document contains information which applies generally to all types of ~~covered~~ structured warrants for which listing may be sought. The base listing document must be supported by a supplemental listing document containing information specific to the issue of ~~covered~~ structured warrants for which listing is sought.
- (3) A base listing document may be valid for up to 12 months from the date it is published or the date the issuer issues its annual account, whichever is earlier.

~~509~~ 510 The offering memorandum, or base and supplemental listing documents, must contain information in sufficient detail to enable investors to have a full and proper understanding of:-

- (1) the capacity of the issuer and guarantor (if any) to fulfill the obligations specified under the terms of the issue; and
- (2) the risks, rights and obligations associated with the ~~covered~~ structured warrants.

~~510~~ 511 Without limiting Rule ~~509~~ 510, the offering memorandum, or base and supplemental listing documents, must include the following information:-

- (1) terms and structure of the issue;
 - (2) financial information on the issuer and its guarantor (if any);
 - (3) financial information on the entity whose securities are the subject of the issue of ~~covered~~ structured warrants;
 - (4) whether the issuer or another person will make a market in the ~~covered~~ structured warrants. If so, the identity of the Designated Market-Maker, the maximum spread between the bid and offer quotations, the minimum quantity to which the quotations apply, and the circumstances in which no quotation will be provided, must be disclosed. If there is no market maker, to provide an appropriate negative statement;
 - (5) whether the issuer has authority to issue further ~~covered~~ structured warrants;
 - (6) If the structured warrants are not fully covered by the underlying securities held by a trustee, a declaration that the issuer has appropriate risk management capabilities to manage the structured warrants issue; and
- ~~(6)~~ (7) any other information required by the Exchange.

~~511~~ 512 If, at any time after the issue of the offering memorandum or base and supplemental listing documents and before the listing of the ~~covered~~ structured warrants, the issuer becomes aware that:-

- (1) there has been a significant change affecting any matter contained in the document; or
- (2) a significant new matter has arisen, which would have been included in the document if it had arisen before the document was issued,

the issuer must issue a supplementary listing document providing details of the change or new matter.

~~512~~ 513 While an issuer has ~~covered~~ structured warrants listed on the Exchange, it must announce through the Exchange the following information:-

- (1) the number of ~~covered~~ structured warrants exercised and number outstanding monthly or as required by the Exchange; and
- (2) the number of ~~covered~~ structured warrants not held by the issuer (or a company which is a member of the same group) every quarter or as required by the Exchange.

514 An issuer must immediately announce if it becomes aware that any obligation of the Designated Market-Maker is not being fulfilled.

PART VI ~~COVERED~~ STRUCTURED WARRANT PROGRAMS

~~513~~ 515 An issuer may place out ~~covered~~ structured warrants in tranches under a ~~covered~~ structured warrant program ("warrant program"). For example, an issuer may apply to the Exchange for the launch of a S\$25 million issue of ~~covered~~ structured warrants. The issue may be issued in 5 tranches of S\$5 million each.

~~514~~ 516 (1) For the second and subsequent tranches ("additional tranches") of a warrant program, an issuer need not submit a listing application. An issuer need only announce the launch of the tranche through the Exchange and place out the ~~covered~~ structured warrants.

- (2) Except for price, each tranche of the warrant program must bear the same terms and conditions.
- (3) All additional tranches are subject to the minimum issue size of S\$0.5 million.

There are no placement requirements for additional tranches.

~~515~~ 517 An issuer may apply for additional tranches (which have not previously been approved under the warrant program) to be listed on the Exchange.

PART VII LISTING APPLICATION

518 When applying for the listing of structured warrants, an issuer must submit an indicative term sheet to the Exchange for its consideration. The indicative term sheet must set out the principal features of the structured warrants.

PART VIII FEES

~~516~~ 519 An issuer must pay the fees published by the Exchange from time to time.