

CLOSING SPEECH BY TAN BOON GIN, CHIEF REGULATORY OFFICER, SINGAPORE EXCHANGE

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I would like to close by looking at how some of the things we talked about today could have an impact on the bigger picture. Simply put, in order for a disclosure based regime to work, there has to be three kinds of discipline: self-discipline, regulatory discipline and market discipline.

SELF DISCIPLINE

Starting with self-discipline, how do we encourage companies to make quality disclosures on their own accord? We have just heard about the new enhanced auditor reporting standards that have just taken effect and how the requirement to highlight key audit matters will increase the transparency of financial statements. There is a lot of potential here: for example, if the KAMs cover the assumptions made by management and benchmarks used by auditors, this will go a long way to help investors to understand the parts of the financial statements that involve the highest degree of judgment and preclude charges of aggressive accounting. In this spirit, we would also like to encourage audit committees to share their responses to KAMs to give investors an additional perspective and further insight into the audit process.

On SGX's part, following our review of listed companies' compliance with the CG Code, we have also been engaging companies one on one to help them improve their governance and disclosures. The response has been good. Companies have been keen to do better and our conversations have allowed us to get a more grounded sense of their challenges, especially the challenges faced by small companies, and how important it is for us to focus on substance over form.

REGULATORY DISCIPLINE

Turning now to regulatory discipline, there had, until recently, been a debate over whether a company can be punished for making false or misleading disclosures if the disclosures had no effect on share price. The recent amendment to the Securities and Futures Act has now clarified that the test for materiality is not tied to just whether the information caused any movement in share price, but whether or not the information, viewed objectively, is likely to wrongly influence investor behavior. This clarification establishes a wider test for materiality and sets a higher standard for disclosures.

We are also conscious that regulatory discipline cannot take too long because this has an impact on market confidence. If you look back on our enforcement action over the last year, you will see that we have been taking prompt and proportionate action against disclosure breaches. And we have not hesitated to query when we felt that disclosures were lacking.

MARKET DISCIPLINE

Finally, the last two years has shown us how the market can punish the share price of a company when there is a lack of confidence in a company's disclosures. Market discipline has been imposed in a very public, aggressive and immediate way. This shows that the market is becoming more mature and we can increasingly count on investors to play their part in enforcing a disclosure based regime.

A MORE CALIBRATED APPROACH

Given these trends, what then should we be aiming for in 2017? We are always on the lookout to see if we can achieve our regulatory objectives in a more effective manner using a more targeted approach. You have seen this in our refinements to our trade with caution alerts and our minimum trading price requirements.

So what is the regulatory objective in this case? The objective here is to ensure timely and accurate disclosure of information that is useful to investors. We see an opportunity presented by the increased transparency of financial statements, the more individual and targeted engagement with companies, the broadened definition of materiality, and the more robust enforcement of disclosure breaches by both the regulators and the market - in other words an increase in all three disciplines – we see an opportunity to recalibrate our continuous disclosure regime. I know what is on your mind, so I might as well say it: yes, this will include our policy on quarterly reporting.

On that note, I look forward to continuing our collaboration and dialogue as we begin the New Year.

Thank you.

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