

PRACTICE NOTE 7B
MONITORING AND QUERYING UNUSUAL TRADING ACTIVITY

Cross-referenced from Rule 703, Appendix 7A and Practice Note 7A

PART I: INTRODUCTION

1. This Practice Note provides information on the role of SGX Surveillance ("Surveillance") and the procedures normally employed when an issuer is queried regarding trading in its securities.
2. Surveillance continues to monitor price and volume movements on all Catalist securities, even though an issuer's sponsor is also responsible for having arrangements to monitor trading.

PART II: UNUSUAL TRADING ACTIVITY

3. As set out under paragraph 20 of Appendix 7A, 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.
4. 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.

PART III: ROLE OF SURVEILLANCE

5. Surveillance utilizes a real-time market surveillance system which employs the latest technology to automatically alert the Surveillance officers to market behaviour such as unusual price and volume movements of an issuer's securities. The 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.
6. 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.
7. Query by Surveillance
 - (a) All queries will be posted on SGXNET by the Exchange immediately. The Surveillance officer will make every effort to contact the issuer's authorized representatives to alert the issuer to the Exchange's query.
 - (b) The query will be emailed to the issuer and its sponsor.

PART IV: RESPONSE ON RECEIVING A QUERY ON UNUSUAL TRADING ACTIVITY

8. If the issuer does not have undisclosed material information, it must inform its sponsor. The sponsor is responsible for advising it regarding the response it should give to the Exchange.
9. If the issuer has undisclosed material information, it must inform its sponsor. The sponsor should advise the issuer on the response it should give to the Exchange's query and where necessary, advise the issuer to request for a trading halt or suspension,
10. An issuer is expected to respond to a query 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, orderly and transparent market, issuers and sponsors must, upon receiving a query from the Exchange, immediately undertake an enquiry to ascertain the cause of the unusual trading activity. Issuers and sponsors 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.
11. Paragraph 22 of Appendix 7A sets out some possible causes for unusual trading and how issuers should respond to the queries based on different causes.
12. An issuer may wish to, where appropriate, request for a trading halt or suspension of trading in its securities. If so, the issuer should contact Securities Market Control and provide a SGXNET announcement requesting for a trading halt or suspension, stating the reason for the trading halt or suspension. Where possible, it would be useful for issuers to inform investors when the issuer can respond to the Exchange's query and when the trading halt or suspension of its securities is expected to be lifted.
13. 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.

PART V: NOTIFICATION TO THE EXCHANGE ON SPECIFIC TRANSACTIONS AND PRIVY PERSONS KEEPING TRACK OF PERSONS WITH ACCESS TO MATERIAL INFORMATION

- ~~14. 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.~~
- ~~15. 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.~~
- ~~16. The Exchange requires the notifications to be provided using the prescribed format. Each notification shall cover the following:~~

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

- ~~17. The issuer and/or the controlling shareholder shall notify the Exchange if such discussions or negotiations cease.~~
- ~~18. 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.~~
- ~~19. The Exchange reserves the right to request for the submission of a privy list as and when it deems necessary.~~
- ~~20. The privy list and notifications to the Exchange under paragraph 14 and 15 shall be emailed to privylist@sgx.com and will be kept confidential.~~
- 14. Paragraph 13 of Appendix 7A explains that material information, which is otherwise required to be disclosed under Rule 703(1), may be temporarily withheld under Rule 703(3), provided that the strictest confidentiality is maintained.
- 15. To ensure the confidentiality of the information and as a matter of good corporate governance, where an issuer relies on Rule 703(3) to withhold material information, the issuer must be able to keep track of persons who gained access to the information. These persons may include internal staff or external advisers. The issuer's supervision aids in the control of information flow, as well as assists in investigations in case of information "leaks".
- 16. Unusual trading activity observed in an issuer's securities could indicate possible "leaks" of material information. In this circumstance, the Exchange may request the issuer to submit a list of persons who have access to the information ("privy persons list"). The privy persons list should typically include information on the identity of the privy persons, the circumstances under which these persons gained access to the information (i.e. became aware or involved in the transaction), and the dates on which these persons first gained access to the information. The Exchange may also ask for related information reasonably required for the proper discharge of its regulatory function.
- 17. The issuer must have proper procedures in place to provide the privy persons list expeditiously to the Exchange upon request. Such procedures may include the maintenance of the privy persons list from the date the issuer first started withholding information under Rule 703(3).

PART VI: CONCLUSION

- 2418. This Practice Note sets out the normal procedures which Surveillance undertakes when querying issuers on unusual trading activities. However, there may be instances when a different approach is warranted.
- 2219. Issuers should also familiarize themselves with the Exchange's Continuing Obligations, Corporate Disclosure Policy and any other relevant Practice Notes.
- 2320. Issuers should consult their sponsors if they have queries on this matter.