

## **RESPONSE TO FEEDBACK RECEIVED – CONSULTATION PAPER ON PROPOSED AMENDMENTS TO THE SECURITIES AND FUTURES (OFFERS OF INVESTMENTS) (SHARES AND DEBENTURES) REGULATIONS**

On 16 April 2010, MAS issued a consultation paper inviting comments on the draft amendments to the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations [the “Regulations”] to support the amendments set out in the Securities and Futures (Amendment) Act 2009 [“SF(A)Act”].

MAS has on 19 September 2012 issued the Regulations. The Regulations, which will come into effect on 1 October 2012, can be accessed at the following link:

- [Securities and Futures \(Offers of Investments\) \(Shares and Debentures\) \(Amendment\) Regulations 2012](#)

The comments which MAS received on the Regulations were generally favourable. MAS has reviewed and considered the feedback received, and incorporated them into the relevant provisions of the Regulations where appropriate. We thank all respondents for their comments.

The proposed requirements relating to the issue of pre-deal research reports were of particular interest to respondents. A summary of respondents’ comments and MAS’ responses are set out below.

### **Requirements relating to pre-deal research reports**

Following the amendments made to section 251(9) in the SF(A)A, the criteria which a pre-deal research report would have to meet in order for it to be carved out from the advertisement restrictions in section 251 of the SFA, would be prescribed in the Regulations. This is to give MAS the flexibility to fine-tune the requirements to keep up with developments in the securities market.

Among other things, MAS proposed to retain the current requirement for the person issuing the report to observe a 14-day “quiet period” prior to lodgement of the prospectus with MAS (i.e. pre-deal research reports cannot be issued during this period). MAS also proposed to introduce enhanced safeguards such as requiring the person to highlight certain statements on the front cover of the report prominently<sup>1</sup> and take reasonable steps to

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<sup>1</sup> These include (a) a statement that the report is distributed to institutional investors only; (b) a statement that the information contained in the report should not be disclosed by the recipient of the report to any other person; (c) disclosure on the nature of any material interest in, or any material interest in the issue or sale of, the securities that the person issuing the report has; and (d) disclosure on any relationship between him and the person making the offer of the securities which is material in the context of the offer.

prevent the leakage of information to any person who is not an institutional investor.

Further, MAS noted feedback from market practitioners that the current position of allowing pre-deal research reports only where the offer is made concurrently in Singapore and one or more other jurisdictions was too restrictive. Where there were sufficient safeguards in place, MAS agreed that the need to prohibit the issue of pre-deal research reports to institutional investors for pure domestic offerings is less compelling. Accordingly, MAS proposed amendments to remove this restriction.

All respondents were supportive of the proposal to allow pre-deal research reports to be issued for pure domestic offerings. Respondents also agreed with the proposal to require issuers of pre-deal research reports to observe a “quiet period” prior to lodgement of the prospectus with MAS. However, there were varying views on the duration of the “quiet period”. While some respondents agreed that 14 days was appropriate given that this was the standard market practice, two respondents were of the view that this period could be shortened to 7 or 8 days.

Several respondents also sought clarifications on what would qualify as “prominent” statements and what MAS would consider to be “reasonable steps” to prevent leakage of information. In particular, one respondent was of the view that there was no need to expressly require that the issuer take reasonable steps to prevent leakage of information as there were already strict protocols around the distribution of pre-deal research reports within the industry.

#### MAS’ Response

The requirement for a “quiet period” is an important safeguard to mitigate the risk of investors, especially retail investors, relying on information or recommendation contained in the pre-deal research report, instead of the registered prospectus, as the primary document for making their investment decisions. We note the suggestion by some respondents to shorten the “quiet period” to 7 days. However, to be effective, we are of the view that this period should not be too short. In this regard, we understand that the general market practice is for research entities to observe a “quiet period” of 14 days. Hence, we will maintain the existing 14-day period. We consider this approach prudent, given that our concerns with the risks of such reports remain and regulatory requirements in other jurisdictions are either unclear or still evolving. We will continue to monitor international developments and review this policy, where appropriate.

While we understand why some respondents had requested for greater clarity on what would constitute a “prominent” statement under the Regulations, a detailed prescription on its form and format will significantly restrict the manner in which entities can comply with the requirement. This

may pose difficulties for research entities, particularly those that are part of a global group, if they are also required to comply with in-house guidelines and policies on the format and presentation of the pre-deal research report. We consider that a general requirement will give entities some flexibility in complying with the requirement. As a general guide, the statements should be sufficiently prominent to draw the reader's attention to them. As noted by some respondents, these could be done in various ways, such as presenting the statements in a bigger font size, in bold, in a different colour or using formatting such as borders. The placing of the statements within the front cover (e.g. at or near the header) may also help to increase its prominence.

On the request for MAS to clarify what is meant by "reasonable steps" taken to prevent leakage of information, we consider that this is a matter which the entity will be best placed to determine, taking into account its set-up, scope and complexity of operations, and industry best practices. Generally, we would expect such steps to include the establishment of proper internal controls within the entity, processes to ensure that the institutional investors to whom the pre-deal research report is to be distributed are adequately informed of the requirements, compliance checks, and appropriate training of the research analysts and other relevant personnel.

**MONETARY AUTHORITY OF SINGAPORE**  
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