

Via e-mail: [listingrules@sgx.com](mailto:listingrules@sgx.com)

29 March 2017

CEO Loh Boon Chye  
Chief Regulatory Officer Tan Boon Gin  
Singapore Exchange Limited  
11 North Buona Vista Drive  
#06-07, The Metropolis Tower 2  
Singapore 13859  
Attn: Listing Policy & Product Admission

*Re: SGX Listing Standards*

Dear Messrs. Loh and Tan:

I am writing on behalf of the Council of Institutional Investors (CII) in response to the 16 February public consultation “on whether a dual class share (DCS) structure where certain shares have higher voting rights than others should be introduced and if so, what safeguards might be appropriate.”<sup>1</sup> CII believes that permitting DCS on the SGX would represent a significant step in the wrong direction, and we would strongly support a decision by the SGX to preserve its existing “one share, one vote” listing standard.<sup>2</sup>

CII is a U.S.-based nonpartisan, nonprofit association of employee benefit plans, foundations and endowments with combined assets under management exceeding \$3 trillion. Our member funds include major long-term shareowners with a duty to protect the retirement savings of millions of workers and their families. Our associate members include a range of asset managers with more than \$20 trillion in assets under management.<sup>3</sup> The “one share, one vote” principle was among our first member-approved policies when we were founded in 1985.

We commend several recent advancements in Singapore to improve the landscape for public investors, particularly in the areas of securities enforcement, corporate governance and audit reporting. However, we believe that by permitting DCS, the SGX would take a significant step in the wrong direction. Since 1994, when the New York Stock Exchange (NYSE) and NASDAQ established their current, liberal rules on this subject, investors have seen deterioration of voting rights at IPOs, culminating this year with the

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<sup>1</sup> The SGX notice of public consultation is available at [http://www.sgx.com/wps/wcm/connect/sgx\\_en/home/highlights/news\\_releases/sgx\\_consults\\_public\\_on\\_dual\\_class\\_share\\_structure+](http://www.sgx.com/wps/wcm/connect/sgx_en/home/highlights/news_releases/sgx_consults_public_on_dual_class_share_structure+). The SGX consultation paper, “Possible Listing Framework for Dual Class Share Structures, is available at <http://www.sgx.com/wps/wcm/connect/71f41364-8584-4da0-b8a5-7891dd16e52e/DCS+Consultation+Paper+%28SGX+20170216%29%28Final%29.pdf?MOD=AJPERES>.

<sup>2</sup> An independent analysis of Singapore’s recent advancements is available on p. 194 – 206 at CG Watch 2016: Ecosystems matter: Asia’s path to better home-grown governance, produced by CLSA in collaboration with the Asian Corporate Governance Association, September 2016.

<sup>3</sup> For more information about the Council of Institutional Investors and our members, please visit the Council’s website at [http://www.cii.org/about\\_us](http://www.cii.org/about_us).

SNAP IPO, with zero voting rights as the only publicly-traded shares of that company. This structure results in a complete lack of accountability to shareholders (or anyone other than the founders) except through shareholder litigation.

CII has a long history of appealing to both the NYSE and NASDAQ to reverse course on DCS, and we intend to continue those efforts.<sup>4</sup> Other global exchanges, including SGX and Hong Kong, have taken a much more principled, long-term and sustainable course by abiding by the “one share, one vote” principle.<sup>5</sup>

Stock exchanges serve the long-term interests of a broad range of market participants when they support the alignment of economic rights with voting rights. As these two aspects of ownership diverge, new risks are introduced with the potential to harm long-term performance. We believe the SGX Listings Advisory Committee (LAC), in recommending DCS for the SGX, conflated the interests of intermediaries with the interest of the two core market participants: investors and public companies.

As identified by the LAC, these risks include entrenchment, expropriation, poor quality listings and lack of clarity.<sup>6</sup> While the consultation puts forward a variety of measures intended to contain these risks, it is CII’s belief that these measures would not be optimal in Singapore relative to the simplest and most effective safeguard: to uphold SGX’s requirement that listed companies issue common shares with equal voting rights. We take this position while observing that risk acceptance becomes more palatable with the robustness of a market’s private right of legal action.

A decision by SGX to follow the LAC recommendation would likely lead to regional competition to lower listing standards, and reflect accordingly on Singapore. We respectfully urge the SGX to use this opportunity to assert on a global stage that it sets standards that both attract high-quality listings and uphold Singapore’s long-standing position on this matter.

Thank you for considering these views. We would be happy to discuss our perspective in more detail. I am available at [ken@cii.org](mailto:ken@cii.org), or by telephone at (202) 822-0800.

Sincerely,



Kenneth A. Bertsch  
Executive Director  
Council of Institutional Investors

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<sup>4</sup> CII’s most recent correspondence with the NYSE regarding this matter is available at [http://www.cii.org/files/issues\\_and\\_advocacy/correspondence/2014/03\\_27\\_14\\_CII\\_letter\\_to\\_NYSE\\_one\\_share\\_one\\_vote.pdf](http://www.cii.org/files/issues_and_advocacy/correspondence/2014/03_27_14_CII_letter_to_NYSE_one_share_one_vote.pdf). CII’s most recent correspondence with Nasdaq regarding this matter is available at [http://www.cii.org/files/issues\\_and\\_advocacy/correspondence/2014/03\\_27\\_14\\_CII\\_letter\\_to\\_nasdaq\\_one\\_share\\_on\\_e\\_vote.pdf](http://www.cii.org/files/issues_and_advocacy/correspondence/2014/03_27_14_CII_letter_to_nasdaq_one_share_on_e_vote.pdf).

<sup>5</sup> See Oct. 5, 2015, Financial Times article by Jennifer Hughes and Josh Noble, “Hong Kong exchange gives up on dual-class share plan”

<sup>6</sup> See SGX Consultation p. 23