

New Updates to the SGX-ST's Guidelines for Assessment of Suitability of Professional Parties

The SGX-ST released an article to Sponsors for Catalist issuers on 16 July 2019 laying out compliance guidelines which we find useful for Directors and Key Management Personnel of issuers to assess suitability and competence of professional parties and their firms.

Why engage Professionals/Consultants?

When undertaking corporate actions, issuers typically engage professionals and/or consultants for professional advice related to their experience, independent assessment, assurance and/or confidence. These professionals and consultants include and are not limited to accountants, internal and external auditors (at Group level and at subsidiaries level), legal advisors, valuers, financial advisers, and mineral, oil and gas (“MOG”) experts (or “**Qualified Persons**”, as defined under the SGX-ST Catalist Listing Manual). To instill public trust and confidence in our capital market, professionals and consultants must uphold high standards of integrity, professional advice as well as proper conduct.

Directors and Key Management Personnel's considerations on Professional/Consultants Appointments

For guidance, Directors and Key Management Personnel should satisfy themselves with the following queries on the professional and consultant's suitability and competence before their appointments.

Suitability and Competence

Factors to consider	What are the key questions to be addressed?
(i) Relevant and current experience	<ul style="list-style-type: none"> - Does the professional firm have relevant and current experience in the subject matter (including the relevant experience in the similar transaction, country, industry and business)? - Does the partner/supervisor assigned to the transaction have relevant and current experience in the subject matter (including the relevant experience in country, industry, business and had previously assumed a supervisory role in the similar transaction)? - What are some of the most recently completed transactions by the professional firm and/or the partner/supervisor assigned to the transaction, respectively, that are similar or relevant to the contemplated transaction?
(ii) Qualifications	<ul style="list-style-type: none"> - Does the professional firm and the partner/supervisor assigned to the transaction, respectively, have relevant qualifications (i.e. licences, permits and/or accreditation from the relevant regulatory authority and/or professional body, where applicable)? <p><i>Some of the examples of regulatory authorities and professional bodies include but not limited to:</i></p> <ul style="list-style-type: none"> ▪ Institute of Singapore Chartered Accountants ▪ Accounting and Corporate Regulatory Authority ▪ Institute of Valuers & Appraisers, Singapore ▪ Singapore Institute of Surveyors and Valuers ▪ Law Society of Singapore ▪ Chambers & Partners ▪ Legal 500 ▪ China Securities Regulatory Commission ▪ China Ministry of Finance ▪ Chinese Institute of Certified Public Accountants
(iii) Compliance track record	<ul style="list-style-type: none"> - Have the firm and its key principals (including the partner/ supervisor assigned to the transaction) been subjects of any: <ol style="list-style-type: none"> i. current or past investigations or reviews; ii. reprimands, warnings, disciplinary proceedings or regulatory actions, by any regulatory authority or professional body? - Are there any adverse findings arising from public searches on the professional firm and the partner/supervisor assigned to the transaction?

Factors to consider	What are the key questions to be addressed?
(iv) Independence	<ul style="list-style-type: none"> - Are the professional firm and its staff working on the transaction independent of the issuer, its subsidiaries and associated companies? - Are the professional firm and its staff working on the transaction independent of the board of directors and substantial shareholders of the issuer, and their respective associates? - Are the professional firm and its staff working on the transaction associated persons or connected persons of the issuer group or its board of directors and substantial shareholders? - Do the professional firm and its staff working on the transaction have any direct, indirect or contingent interest in (i) the transactions or (ii) the securities and assets of the issuer group, its connected persons or any associates or affiliated companies? - What are the safeguards put in place to address the potential or perceived conflict of interest and/or independence issue, such as an adequate Chinese Wall Policy?
(v) Adequate resources	<ul style="list-style-type: none"> - What is the size of the engagement team? - What is the staff profile of the engagement team, especially those in the supervisory roles? - Does the engagement team have existing commitments and the ability to dedicate sufficient time to the current transaction? - Does the professional firm and its staff working on the transaction has access to resources within the firm's global networks or alliances?

Conclusion

Directors and Key Management Personnel should be satisfied that the professionals and consultants are suitable and competent, in order to rely on their professional advice, independent assessment, assurance and/or confidence. In addition, Directors and Key Management Personnel should note that there are specific requirements under the Catalist Rules or Code of Corporate Governance in relation to appointment of certain professionals and consultants, including **external auditors** (Catalist Rule 712), **internal auditors** (Principle 13 of Code of Corporate Governance 2012 / Provision 10 read with Practice Guidance 10 of Code of Corporate Governance 2018), and **qualified person** (Definition section of Catalist Rules).

Lastly, we would like to remind all our issuers to consult us before engaging the relevant professionals and consultants as this is required under the Catalist Rule 226(4)(a) and Catalist Rule 226(2)(e).

If you would like more information and/or assistance on the above, you may wish to contact us through our contact list page or your respective SAC representative for your company.

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- Non-rated Report
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CATALIST SPONSORSHIP

- Advising on Compliance to Listing Obligations and Corporate Governance Code
- Review and Approve Announcements, Annual Reports and Circulars
- Intermediary between Company and SGX

Useful References:

SGX Catalyst Sponsor Compliance Guidelines

[Assessing Suitability, Reviewing Scope of Engagement and Reports of Professionals \(16 Jul 2019\)](#)

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