

Regulatory Updates:

SGX had on, 26 November 2018, published a Regulator's Column setting out what companies should observe when conducting Share Buy-backs. It also sets out the concerns on share buy-back and how they should be conducted to comply with laws, regulations and rules that govern the market place. Key takeaways of SGX Regulatory Column will be discussed in this regulatory update. Please click here for a copy of the [SGX Regulatory Column](#).

What is a Share Buy-back?

Share Buy-back is the repurchasing of shares by the company that issued them. Companies buy back their own shares for various capital management reasons, such as to revise the company's capital structure to improve the return on equity or to enhance earnings per share.

In a nutshell:
SGX Regulatory Column

- *Like any other trading activity, share buy-backs should not be used to carry out any form of market misconduct such as insider trading or creating a false market*
- *Insider trading occurs when the company undertake share buy-backs during periods when it is in possession of inside information*
- *In preventing false market, the company should seek to buy back its shares as cheaply as possible and with as little impact as possible on the prevailing share price*
- *Key terms of the share buy-back mandate (elaborated below) have to be adhered to when carrying out share buy-backs*

Key Terms of the Share Buy-back Mandate

The key terms include, *inter alia*:

- The share buy-back is limited to 10% of the total number of issued shares as at the date shareholders' approval is obtained for the share buy-back mandate
- The limit in the purchase price via on-market acquisition should not be more than 105% of the average closing market prices over the last 5 consecutive trading days in the security
- Make known the status of the purchased shares on whether to cancel or keep the shares purchased as treasury shares

Recommendations

- Refrain from any share purchases under a share buy-back programme at any time when there are material developments or any unannounced material information
- Refrain from carrying out share buy-backs during 2 weeks immediately preceding the announcement of the company's quarterly financial statements and 1 month immediately before the full-year financial statements

Conclusion

Share Buy-backs on the open market could potentially have a significant impact on the price and volume of a security and could extend over a considerable period in light of the share buy-back mandate. These transactions, like all others, should be conducted in accordance with the laws, regulations and rules that govern the marketplace. If the price and volume of a security have been artificially interfered with through share buy-back activities, the investing public would be misled and deceived as to the genuine market value of the security. This will undermine the operation of a fair, orderly and transparent market.

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