

## Guidance by SGX on Cessation Announcements of Key Persons

Issues with cessation of key officers and directors were discussed by SGX via sponsor dialogues (i.e. 8 May 2019 and 12 November 2019). Recommended practices for issuers and sponsors were provided together with certain disclosures that may lead to SGX queries or investigations.

Issuers are to note that SGX is of the view that cessation announcements constitutes as material information and it is considered a timely disclosure under the listing rules, when appointment or cessation of Key Persons (i.e. director, chief executive officer, chief financial officer, chief operating officer, general manager or other executive officer of equivalent authority, company secretary, registrar or auditors of the issuer) are announced immediately.

### Recommended Practices by SGX (For Issuers)

- 1. Immediate Announcement.** Issuers should announce immediately the appointment or cessation of a Key Person and SGX recommends issuers to include the notice period.
- 2. Avoid Boilerplates.** Boilerplate reasoning includes ‘personal reasons/ pursue personal interest’.
- 3. Announcement should NOT be on the Effective Cessation Date.** Issuer should announce the resignation of the Key Persons as soon as there is an agreement/certainty between the issuer and the resignee. It is NOT REASONABLE to assume that disclosure is only triggered on the effective cessation date.

### Recommended Practices by SGX (For Sponsors)

- 1. Ensure Prompt Announcement.** Sponsor to be satisfied that the cessation announcements are prompt and are not delayed till close to, on or after the cessation date.
- 2. Statement by Sponsor.** Sponsor to include a statement under “reasons for cessation”, that Sponsor has interviewed the key person and is satisfied there are no other reasons for the departure.
- 3. Justifications on Delay.** If there are delays on the cessation announcements, the Sponsor must be satisfied with the issuer’s justifications for the delays.

### Certain disclosures that may lead to SGX queries or investigations

1. Cessation of Key Persons close to, on or after the cessation date.
2. Cessations that took place during the uncovering of misstated financial results or before an independent review.
3. Boilerplate reasonings would be questioned on whether the reasoning is accurate.
4. Sudden resignation of Key Persons or minimal notice period provided.

### SGX queries posted to Cessation Announcements

1. When was the resignation date and notice period?
2. Given the short tenure of appointment, is the Board, NC and Sponsor satisfied on the reasons for resignation?
3. Who will oversee the relevant functions after the cessation of the Key Persons?
4. Please list down ALL the cessations of Key Persons and their respective tenure and reasoning for leaving.
5. When did the Key Persons and Group agree on the cessation date?
6. What is the Board’s assessment on the adequacy of its internal controls for the delay in disclosure?
7. How does the Board intend to strengthen the internal controls of the Group given the delay in disclosure?

### Notable Mentions

An article on cessation disclosures of listed companies was written by Corporate Governance advocate, Professor Mak Yuen Teen, on 5 October 2019. The article raised observations such as:

1. Cessation disclosures of Catalist companies that in the writer’s view were untimely.
2. The writer was of the view that to be timely, cessation announcements should be disclosed at the point of resignation and not the effective cessation date.
3. The writer was also concerned of certain departures of the most senior finance executives shortly after the issuer’s listing.

## In a Nutshell for all SAC's CS clients

1. Please inform your Sponsor immediately on resignation letters received by the issuer from Key Persons.
2. To provide the resignation date and notice period in the cessation announcement.
3. If there is a delay in announcing the resignation of the Key Person, the Company should endeavour to provide an explanation.

-(End)-

## Please Contact or Find us at:

SAC Capital Private Limited  
1 Robinson Road  
#21-00 AIA Tower  
Singapore 048542  
Telephone: (65) 6232 3210  
Fax: (65) 6232 3244

[www.saccapital.com.sg](http://www.saccapital.com.sg)

## Our Services



### CAPITAL MARKETS

- Underwriting for IPOs and Rights Issues
- Private Fund Raising
- Public Share Placement
- Mergers and Acquisitions
- Buyout Initiatives
- Vendor Sales



### LISTINGS

- Initial Public Offerings
- Reverse Takeovers
- Dual and Secondary Listings
- Spin-off of Subsidiaries



### FINANCIAL ADVISORY

- Acquisition/ Disposal
- Restructuring
- Rights Issue
- Corporate Transactions
- Privatisation



### FUND MANAGEMENT

- Investment Management Services covering Most Asset Classes
- Provision of Sustainable Investment Solutions
- Portfolio and Wealth Management Services



### RESEARCH

- Equity Research for SMEs listed on SGX
- Industry-specific Research
- Corporate Flash Note
- Singapore Weekly Report
- Initiation Report
- Non-rated Report
- Knowledge Hub



### 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 Dialogues

<https://www2.sgx.com/regulation/catalist-sponsors-companies>

### When should cessation of directors and key officers be announced? (By Professor Mak Yuen Teen)

<https://governanceforstakeholders.com/2019/10/05/when-should-cessation-of-directors-and-key-officers-be-announced-2/>

This report is confidential and the information in this report shall not be copied or reproduced in part or in whole, and save for the recipient of this report, shall not be disclosed to any other person without the prior written consent of SAC Capital Private Limited. The distribution of this report outside the jurisdiction of Singapore is also strictly prohibited. Please note that whilst the information in this Regulatory Update is correct to the best of our knowledge at the time of writing, it is only intended as a general guide and should not be taken as professional advice for any particular course of action. Before acting on the contents of this Regulatory Update, readers are encouraged to seek professional advice. In this regard you may contact us at (65) 6232 3210.