

Restoring the pulse of the market

Much like a school that shapes a student's development, the capital market provides the structure and support for emerging companies to grow, gain experience, and develop.

ONG HWEE LI
THURSDAY, 19 JUNE 2025

After years of subdued trading activity and declining investor interest, it is time to ask how we can restore the rhythm, resilience, and relevance of the Singapore equities capital markets.

The equities capital market is a place for businesses to gain access to capital, while offering investors opportunities to invest as owners. In most markets, differentiated boards cater to companies of different sizes and various maturity stages. SMEs often opt for the junior board due to their scale and profitability.

Supporting SMEs is critical as they support employment and contribute to the economy positively. According to statistics published by the Singapore Department of Statistics as of 27 March 2025, SMEs make up approximately 99% of all businesses, and contributed to approximately 70% of employment, in Singapore in 2024. In spite of their contributions to the economy, many SMEs do not have the same access to banking facilities as large or blue-chip companies. The equities capital market, in this case the SGX, is an alternate platform for fundraising to enable growth and continuity for SMEs to carry on with their businesses.



STOCK PHOTO

The SGX equities capital market is regulated and should continue to uphold high standards of regulations and listing rules to ensure proper treatment to investors and shareholders alike.

As many commentators have noted, I am glad that authorities are considering abolishing the watchlist. It would be a tall order to expect all listed companies, especially SMEs, to always be profitable. Nor should companies be delisted just because they are loss-making. It is akin to expelling a student for failing an exam, even if they had tried their best to pass.

Rethinking Catalyst as a Growth Platform

Catalist serves as a vital platform for SMEs seeking to grow. When banking facilities are stretched, SMEs often find it hard to raise funds to finance new business or innovative ventures. While equity fundraising is always more expensive than traditional debt raising, aspiring entrepreneurs will still pursue this route for growth because listing has its attributes.

Not everyone has a rich parent with a private banking account; hence, some will need to raise funds via more expensive alternative.

Catalist has often been criticised for contributing to declining market quality of listed companies. Yet, having less profitability or no profitability does not equate to poor quality.

There are many factors that come into play, including macro-economic factors that may affect a company's performance.

Based on regulatory data and governance reviews, several key observations can be made. In terms of public reprimands issued by SGX RegCo to listed companies, approximately 70% were directed at Mainboard companies.

“Sponsors also play a vital role in ensuring and maintaining quality for Catalyst companies.”

However, when viewed proportionally, the number of issuers reprimanded represents about 5% of the total issuers on both the Mainboard and Catalist, excluding reprimands issued to directors. Regulatory actions leading to directed delistings, about 90% of such delistings were from Mainboard companies, not Catalist. Finally, based on a sustainability reporting review conducted by SGX RegCo in 2021, Catalist issuers performed better overall than their Mainboard counterparts in the quality of their sustainability disclosures.

These facts dispel the notion that Catalist companies are declining in quality. Further, there have been exceptional companies which transitioned from the junior board and remain listed on the Mainboard today, including CSE Global Limited, LHN Group Limited and Grand Venture Technology Limited. We should not be too quick to judge the value of Catalist as a platform for growth or the quality of the Catalist companies – much like one should encourage and support a student to do better.

Sponsors also play a vital role in ensuring and maintaining quality for Catalist companies. Sponsors are not part of the listed company and are professionals tasked with guiding companies on compliance, governance and corporate transactions.

Keeping Bad Actors Out of the Market

While regulators and authorities have stepped up by imposing more enforcement actions against errant companies to protect market integrity, the pace and intensity of enforcement must be accelerated to meet market expectations and deter misconduct effectively.

Boards of directors and executive officers must ensure that they act with integrity and good faith. It is only when leadership acts accountably, will investors and shareholders be reassured to invest in listed companies. Hence, it is imperative that when breaches or wrongdoings occur, those responsible should be taken to task and regulators and authorities should mete out appropriate disciplinary actions swiftly.

Sponsors and issue managers also act as a line of defence and should continue to be held to high standards of accountability.

The same level of scrutiny and standards should also apply to underwriters and placement agents to ensure an orderly and fair market, particularly during IPOs and secondary offerings.

Equally important are independent financial advisers, especially those advising on take-overs, privatisations, and interested person transactions. Minority shareholders rely on opinions of independent financial advisers to assess whether offers or transactions are fair and in their best interests.

These opinions often shape the decision to accept or reject such deals. That said, the conduct and independence of these advisers must be of the highest integrity. Strengthening oversight across all these professionals is essential to preserving investor confidence and upholding market integrity.

With the proposed removal of the watchlist, the associated stigma for companies may be lifted, but it also takes away the safeguard offered by the watchlist as an early warning mechanism for the market. In its place, Sponsor oversight should be strengthened, or alternative forms of disclosure introduced, to ensure investor protection is not compromised.

“Sponsors and issue managers also act as a line of defence and should continue to be held to high standards of accountability.”



STOCK PHOTO

To build trust and attract high-quality listings, regulators must send a strong signal that poor conduct among corporate leadership and professionals will not be tolerated.

A more assertive enforcement regime anchored on transparency and timeliness will raise the bar for market discipline. This could include mandating periodic Sponsor reviews by SGX RegCo and link continued sponsorship to compliance track record. Additionally, introducing a public scorecard and escalating penalties for repeat misconduct by Sponsors, directors, executive officers and professionals alike would further reinforce accountability and raise standards across the market.

Penny Stock Saga Killed Liquidity

The penny stocks crash back in 2013 remains etched in our minds and a lesson learnt for everyone in the industry, including regulators, professionals and investors. Since then, the average trading activity on SGX has decreased by around 40%.

To revive the “animal spirit” as some may say, in addition to relaxing trading thresholds and queries, introducing market-making incentives to deepen liquidity and sustain continuous two-way trading should be taken into consideration. This is to allow investors and traders to trade more freely will encourage higher liquidity.

Only with liquidity will there be price discovery for our SMEs, Mainboard and Catalist alike, and therefore enabling proper valuation of listed companies. Share prices should not swing sharply based on the mood of certain investors. Instead, there should be active bid and ask queues for every counter on SGX to facilitate orderly daily trading.

If every bid or ask is questioned, or every trade viewed suspiciously, then our market will not function efficiently. Markets should be allowed to flow freely until actual misconduct is identified, at which point swift enforcement must be carried out to hold those responsible accountable.

Delisting: A Natural Part of Market Evolution

The number of delistings is often compared to the dismal number of IPOs on the SGX. Instead of interpreting them solely as exits or failures, we can appreciate delistings from a different perspective – viewing delistings as part of a company’s natural life cycle in the capital markets.

In fact, recent delistings are driven by strategic alignment as the companies reached certain maturity. Based on the announced delistings in 2025 and 2024, approximately 40% were initiated by external parties taking the companies private, including funds and strategic investors. Such offers often provide competitive pricing and signal continued investor interest in the underlying business, demonstrating that delisting is not necessarily a negative outcome. In contrast, owner-led delistings are not likely to carry the same pricing pressure as the controlling shareholders already hold significant stakes.

A mature equities capital market accommodates both entry and exit, where an exit may simply mark the next chapter in a company’s growth story – just as graduation marks a new beginning for a student.

Much like a school that shapes the early years of a student’s development, the equities capital market provides the structure and support for emerging companies to grow, gain experience, and ultimately advance into more mature stages of development. With the right environment, professional accountability, and investor engagement, listed companies can gain the momentum they need to thrive. If we want to see a vibrant market once again, we must do what is necessary to help it beat stronger than before.



STOCKPHOTO