

Deepening investor protection in Singapore

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INSIGHTS FROM CFA SOCIETY SINGAPORE

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OVER the past decade, Singapore has improved its legal and regulatory framework for investor protection. These regulatory reforms have led to meaningful enhancements in disclosure requirements, shareholder rights, and enforcement mechanisms.

These changes are in line with international standards, such as the G20/OECD Principles of Corporate Governance and the International Organization of Securities Commissions' Objectives and Principles of Securities Regulation.

Despite the regulatory strides forward, it appears that there are implementation gaps, and, for too many retail investors, shareholder democracy feels more aspirational than actual progress.

The recent continuing saga of the trial against Hyflux founder Olivia Lum, as the firm suffered massive losses and eventually entered liquidation, highlights some of the power imbalances between shareholders and executives in corporate governance. In the Hyflux case, more than 34,000 investors are owed S\$900 million.

Strengthening the institutional ecosystem

The establishment of the Singapore Exchange Regulation (SGX RegCo) in 2017 as a separate entity of SGX marked a watershed moment.

By structurally separating the regulatory and commercial functions, Singapore addressed long-

standing concerns about conflicts of interest.

Additionally, the Monetary Authority of Singapore (MAS) consolidated its enforcement powers under the Financial Services and Markets Act 2022, affirming its role as a vigilant market watchdog.

Nevertheless, there are still some concerns about whether SGX RegCo's position within SGX can truly ensure impartiality, prompting debate over the potential need for an independent securities regulator. While MAS maintains that the current self-regulatory model offers market responsiveness, future reforms may tilt towards a hybrid or independent model if investor confidence demands it.

Shareholder engagement: A mixed report card

Post-pandemic, reforms such as the multiple-proxies regime and virtual annual general meetings (AGMs) have broadened shareholder participation.

However, these gains are offset by the perceived formality and ineffectiveness of AGMs as forums for meaningful engagement. Retail investors, in particular, struggle to have access to the management and influence decisions outside formal settings.

Interestingly, a segment of investors has taken proactive steps towards activism – some successfully influencing corporate policy on issues such as executive compensation and corporate governance. For example, the past decade has seen the Securities Investors Association (Singapore), or Sias, mediating on behalf of retail investors and filing questions regarding various issues and concerns about firms' operations ahead of AGMs.

This is a pioneering effort where Sias submits three key questions to companies before their AGMs on fi-

nancial performance, business strategy, and corporate governance, with the aim of promoting transparency and engagement between shareholders and the board, and companies are asked to post their answers online beforehand.

Notably, Sias has successfully fought for a better privatisation offer price in the interest of Lian Beng Group shareholders in 2023, and it has championed for minority shareholders' interest in the privatisation of GL Ltd in 2021. But these instances remain rare, as many investors face obstacles in mobilising support and navigating resistance from entrenched management.

To address this, there are calls to lower the thresholds for minority shareholders to call meetings and submit resolutions, as well as mandating company responses to significant shareholder dissent. These steps would give shareholders a more meaningful voice without compromising operational efficiency.

Redressing power imbalances in corporate governance

The last decade also saw a commendable tightening of corporate governance standards. Independent director definitions were sharpened, board diversity encouraged, and remuneration disclosures enhanced. The 2022 requirement for a two-tier vote to extend independent directors' tenure beyond nine years reflects Singapore's commitment to board renewal.

Still, gaps remain. Notably, shareholders have no "say on pay" mechanism, such as a binding vote on executive compensation – something increasingly common in other developed markets. For example, many European countries have binding votes, including Switzerland, the Netherlands, Sweden,



Hyflux founder and former CEO Olivia Lum at the State Courts in August. The high-profile case highlights some of the power imbalances between shareholders and executives.

PHOTO: BT FILE

Norway, Denmark and France. On the other hand, many Asian countries have yet to come up with legislation on such requirements.

A middle ground is to introduce say-on-pay advisory votes that are non-binding. The United States and Canada are examples of countries that have taken a step in this direction.

In this light, reforms must strike a balance between competitiveness and accountability. Proposals to require independent director appointments, subject to shareholder approval on a one-share-one-vote basis, represent a step in the right direction. On the other hand, dual-class share structures and special purpose acquisition companies introduce governance asymmetries that, while encouraging listings, can dilute shareholder influence.

Towards a disclosure-based regime

The shift away from mandatory quarterly reporting reflects a risk-based approach aimed at reducing compliance costs.

Simultaneously, continuous disclosure obligations have been expanded, especially in related-party transactions.

Yet, investor feedback indicates that many still feel they are in the dark. Some companies fail to communicate significant strategic shifts, undermining investor confidence.

The stock market hates such negative surprises. Additionally, patchy compliance and limited enforcement of continuous disclosure rules pose risks to market integrity.

To strengthen Singapore's transition towards a more robust disclosure-based regime, there is a need to consider both regulatory and private enforcement. The current reliance on public enforcement, while efficient, does not offer investors direct compensation.

In contrast, models in Hong Kong and Australia empower regulators to seek compensation on behalf of affected investors, a concept Singapore is now exploring.

Singapore's sustainability journey has matured. From 2025, all listed companies must report Scope 1 and 2 greenhouse gas emissions in accordance with IFRS Sustainability Disclosure Standards, with Scope 3 reporting expected from larger issuers from FY2026. In parallel, MAS has introduced environmental risk manage-

ment guidelines for asset managers and environmental, social and governance (ESG) disclosure requirements for retail funds.

Sustainability and stewardship

Still, Singapore's stewardship principles remain non-binding. Institutional investors are encouraged – but not obligated – to engage in responsible investing.

As sustainability becomes material to investment performance, stronger stewardship codes and assurance standards will be essential in ensuring that ESG commitments are not just box-ticking exercises.

The last decade has laid a strong foundation for investor empowerment in the Republic. But as market complexity increases and retail participation grows, the next phase must address the subtleties of engagement, enforcement and education.

The message from investors is clear: progress has been made, but protection must be deepened – and democratised.

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