Securities Investors Association (Singapore)
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UEN No: S99SS0111B
GST Reg No: M90367530Y0Y

Issuer: UOB-Kay Hian Holdings Limited

Stock code: U10

Meeting details:
Date: 27 April 2023
Time: 5.30 p.m.
Venue: Auditorium, 8 Anthony Road, Singapore 229957

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Q1. In his statement regarding the current year prospects, the chairman and managing director expects a global economic slowdown and interest rates to remain elevated for a while. There might be greater interest in value opportunities and investment-grade assets. Certain themes may stand out with China's reopening, such as real estate, big tech, and Southeast Asia.

(i) **Interest rate: Without considering the impact on security prices, are high interest rates a net positive or a net negative for the group?**

(ii) **Robo advisory: Does the popularity of robo advisory threaten the traditional business? How is the group capitalising on this trend?**

(iii) **Market access: Similarly, does management see the ease of access to other markets, such as NASDAQ, NYSE, etc and products such as exchange traded funds (ETFs), dampen the interest in the local and regional exchanges?**

(iv) **Competition: How is the group competing against digital brokerages that are attracting the younger investors?**

(v) **Allowance for impairment:** The allowance for impairment of trade and other receivables individually assessed increased by more than 60% when overall trading value decreased. **How does the board monitor the group's compliance with the credit risk framework?**

Q2. In September 2022, the company issued a brief statement in response to the Monetary Authority of Singapore imposing a $375,000 composition penalty on the company for failing to comply with business conduct requirements under the Securities and Futures (Licensing and Conduct of Business) Regulations and anti-money laundering and countering the financing of terrorism requirements under MAS Notice SFA04-N02.

The statement by MAS could be found here:
https://www.mas.gov.sg/regulation/enforcement/enforcement-actions/2022/mas-imposes-composition-penalty-on-uob-kay-hian-private-limited

The failures occurred between 2012 to 2018 and they relate to inadequate controls for UOBKH's corporate finance business and breaches in verifying customer's source of wealth and conducting due diligence for third-party receipts of monies.

(i) **Can the audit committee help shareholders better understand the remedial measures taken?**

(ii) **Has the company appointed an independent external party to validate the implementation and effectiveness of its remediation measures? When will this be completed?**

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In addition, Singapore Exchange Regulation (SGX RegCo) imposed a freeze on the company undertaking new mandates to act as an issue manager or full sponsor for SGX Mainboard and Catalist initial public offering (IPO) and reverse takeover (RTO) submissions.

(iii) **Has the board assessed the reputational damage to the company, particularly as the group provides corporate finance services, and compliance and financial advisory?**

Furthermore, the group's money lending unit, UOB Kay Hian Credit Private Limited, was mentioned in SGX RegCo's statement on an issuer's special audit report[1]. It was noted that:

… In summary, UOB Kay Hian Credit facilitated the Second Placement and the acquisition of Activpass via a series of internal transfers which were made almost immediately. Several agreements were prepared by Morgan Lewis Stamford LLC, acting as lawyers for UOB Kay Hian Credit, to facilitate the above arrangement. PwC understands from interviews with representatives of UOB Kay Hian Credit that even though the transaction flow was not usual, the transactions were completed almost simultaneously. UOB Kay Hian Credit appeared to have received fees of S$999,000 for undertaking such a role.

(iv) **Can the board and management help shareholders understand if they have carried out any further investigation on UOB Kay Hian Credit or other operating entities in the group?**

Q3. Mr Yeow David, an independent director, will be retiring and not be seeking his re-election when his term expires on 27 April 2023. Mr Yeow was appointed on 2 January 2020.

The director's biography can be found on page 37 of the annual report.

(i) **Can the company share Mr Yeow David's reason(s) not to seek re-election after just one term?**

Separately, the board has noted that when the 9-year rule on long tenured director takes effect, Mr Tang Wee Loke will cease to be independent in April 2024. The board intends to redesignate Mr Tang as a non-independent director.

In January 2023, Mr Tan Boon Gin, CEO of SGX RegCo, noted that the limit on tenure of IDs provides an opportunity for companies to inject new skills, experience and knowledge into their boards, all of which will be invaluable in guiding the business for the long term.

(ii) **Has the nominating committee reviewed the current competency matrix of the board and identified any gaps in skills or competencies that need to be addressed in future director appointments?**

[1] SGX RegCo's Statement on Allied Technologies Limited's Special Audit Report - SGX Group

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Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

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