



Strengthening our Corporate Regulatory and Anti-Money Laundering regimes

Note by Second Minister for Finance, Indranee Rajah SC, on the ACRA (Registry and Regulatory Enhancements) Bill, the Corporate Service Providers Bill, and the Companies and Limited Liability Partnerships (Miscellaneous Amendments) Bill

It's been a while since I've sent a Note to the legal and accounting professions. My current portfolios have focused on other things, such as marriage and parenthood! However, with efforts to strengthen our corporate regulatory and anti-money laundering regimes, my work has brought me back to the professional services, and I would like to update you on the latest legislative amendments which would be relevant to you.

On 2 July 2024, Parliament passed the following Bills:

- the ACRA (Registry and Regulatory Enhancements) Bill ("[ACRA Bill](#)");
- the Corporate Service Providers Bill ("[CSP Bill](#)"); and
- the Companies and Limited Liability Partnerships (Miscellaneous Amendments) Bill ("[CLLP Bill](#)").

The ACRA Bill aims to better protect personal data and enhance the regulatory framework for businesses registered with ACRA. The CSP and CLLP Bills seek to deter misuse of corporate structures. The CSP Bill enhances the regulatory regime for corporate service providers ("CSPs"), while the CLLP Bill enhances the transparency of companies and limited liability partnerships ("LLPs"). The effective date when the Bills come into force will be notified by Government Gazette.

My Second Reading speeches on the three Bills can be found [here](#). This Note summarises the key amendments.

ACRA BILL **Strengthening Data Protection**

1. Current status

- Individuals associated with business entities file their residential address with the Registrar.
- The residential addresses are publicly available unless an individual files an alternate address (in which case the alternate address is the one that is made public).

2. What will change?

- Under the new regime, individuals must, in addition to providing a residential address, also file a contact address (within the same jurisdiction as the residential address) at which they can be reached in person or by post.
- The contact address will be made public. The residential address will be kept private unless the individual cannot be reached at the contact address.
- The alternate address regime will be discontinued. When the amendments come into effect, all alternate addresses filed under the old regime will automatically be converted to contact addresses.
- Specified parties, such as financial institutions, may obtain selected personal information from ACRA to fulfil their regulatory obligations (such as customer due diligence), but they must safeguard the use of such personal information.

3. Why the change?

- The amendments will strengthen the confidentiality of personal information, and protect residential addresses from being exploited for malicious purposes.

4. What do I need to do?

- If you are an individual associated with a business entity and have not filed an alternate address, but would like to have a non-residential contact address going forward, you can file an alternate address with ACRA at no cost after 26 August 2024. When the amendments come into force, this alternate address will be automatically converted to your contact address.
- If you are a CSP, you should verify your clients' preferred contact addresses and update ACRA accordingly.
- If the alternate address is not filed by the time the amendments take effect, the residential address will be listed as the contact address by default and will become publicly available. The contact address may be updated at any time and at no cost.



CSP BILL

Registration of CSPs with ACRA

1. Current status

- Currently, only CSPs who transact on their clients' behalf with ACRA are required to register with ACRA.
- Only registered CSPs are subject to various requirements to prevent and detect money laundering and terrorism financing ("AML/ CFT requirements").

2. What will change?

- The types of CSPs required to register with ACRA will expand, to include:
 - All Singapore-based entities that provide corporate services, including those who do not transact on their clients' behalf with ACRA (for example, entities that only provide corporate services to overseas clients); and
 - All Singapore-based accounting entities that, in relation to the provision of any accounting service, carry out specific activities designated by the Financial Action Task Force.
- Besides meeting AML/ CFT requirements, all registered CSPs must also implement measures to prevent and detect proliferation financing.

3. Why the change?

- This will help to ensure that all CSPs play their part in our fight against financial crime.

Fines for Errant CSPs and Senior Management

1. Current status

- Currently, CSPs and their registered qualified individuals ("RQIs") who fail to meet AML/ CFT requirements are liable to a financial penalty of up to \$25,000 per breach.
- In egregious cases, the CSP's/ RQI's registration may be suspended or cancelled.

2. What will change?

- For CSP firms, the maximum sanction for a breach of AML/CFT requirements will be increased from \$25,000 per breach to \$100,000 per breach.
- The senior management of CSPs may, in certain circumstances, be held personally liable for such breaches and subject to the fines above.
- They may be held personally liable if, for example, they knew or ought to have known of the breaches, but failed to take all reasonable steps to prevent or stop the breaches.
- Clause 29(6) of the CSP Bill sets out a non-exhaustive list of reasonable steps that such individuals may take to prevent the commission of offences by the CSP.

Nominee Directors

1. Definition of a nominee director

- Clause 38(b) of the CSP Bill defines a nominee director as “a director who is accustomed or under an obligation whether formal or informal to act in accordance with the directions, instructions or wishes of any other person”.
- For the avoidance of doubt, it should be noted that this does not affect the scope of duties owed by directors (nominee or otherwise), whether under common law or the Companies Act, which remains the same.



2. Current status

- CSPs have no obligation to ensure the individuals they arrange to act as nominee directors for their clients are fit and proper persons to carry out the duties of directors.

3. What will change?

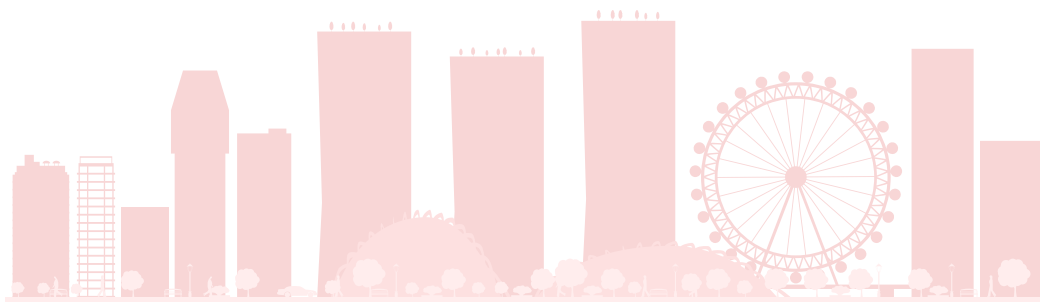
- Going forward, an individual can only act as a nominee director *by way of business* if the nominee directorship is arranged by a CSP, or if the individual himself/ herself is the sole proprietor of a registered CSP.
- A CSP must ensure that any individual for whom they arrange to act as a nominee director is a fit and proper person to do so.

4. Why the change?

- Nominee arrangements are vulnerable to the risk of abuse and can lead to the conduct of illicit activities, e.g. when persons are arranged to act as nominee directors to shell companies that facilitate money laundering.
- This is especially so if the nominee directors are unfamiliar with directors' duties and obligations.
- While nominee directors may be obliged to act in accordance with the instructions of the persons who appointed them, they still have the same fiduciary and other legal duties imposed on directors. It is therefore crucial that persons who act as nominee directors understand their duties and responsibilities and are equipped to carry them out.
- The amendments are therefore aimed at ensuring that only fit and proper persons who are CSPs, or whose nominee directorship was arranged by a CSP, can be nominee directors.

5. What do I need to do?

- If you are a CSP arranging for a nominee directorship, please ensure that the prospective nominee director possesses the requisite competency, capacity, and integrity.
- For example, you should check the prospective nominee director's compliance records and assess if they have the capacity to take on more directorships. More guidance on this will be provided in due course.



CLLP BILL

Disclosure of Nominee Arrangements

1. Current status

- Under current law, nominee directors and nominee shareholders are only required to disclose their particulars, their nominee status, and the particulars of their nominators to their companies. Companies and their nominee directors/ shareholders do not need to share this information with ACRA.

2. What will change?

- Going forward, companies will be required to provide details of nominee arrangements, such as the particulars of their nominee directors/ shareholders and their nominators, to ACRA.
- However, only the fact of an individual's nominee status will be made publicly available by ACRA. The nominator's identity and other details will not be publicly disclosed, but they can be shared by ACRA with the relevant public agencies.

3. Why the change?

- This amendment will make nominee arrangements more transparent.

Maintaining Accurate Registers

1. Current status

- Companies and LLPs must maintain registers of their registrable controllers (beneficial owners).
- Companies must also maintain registers of their nominee directors and nominee shareholders.

2. What will change?

- The maximum fine for register-related offences will be increased from \$5,000 to \$25,000.
- The CLLP Bill also makes it an offence, punishable with a fine of up to \$25,000, for a person to provide false or misleading information about their registers to ACRA.
- Companies and LLPs are required to verify and update their controllers' information annually.

3. Why the change?

- These amendments ensure that the registers remain accurate, so that those who control companies behind the scenes are known to the authorities.

4. What do I need to do?

- If you are a CSP, you should remind your customers to ensure that the information in their registers is up to date.

I appreciate that there are quite a number of changes to take on board. However, these are necessary in order to prevent personal data and corporate vehicles from being abused, and to prevent money laundering and terrorism financing.

The landscape has changed. Criminals are constantly seeking new ways to channel and profit from their illicit funds. We have to adapt in order to counter them. Professional services, including lawyers, accountants and corporate service providers, are part of our first line of defence. The Government will work with you in the implementation of these amendments.

By acquainting yourselves with these amendments, helping with their implementation and advising your clients, you will be playing an invaluable role in deterring money laundering and terrorism financing and upholding Singapore as a trusted financial centre and business hub.

Indraneel Rajah
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