



# CHANGES TO STRENGTHEN SINGAPORE'S CORPORATE REGULATORY AND ANTI-MONEY LAUNDERING REGIMES

## INTRODUCTION

To strengthen Singapore's corporate regulatory and anti-money laundering regimes, which came under the spotlight recently, the following Acts have been passed by Parliament on 2 July 2024 -

- (A) the ACRA (Registry and Regulatory Enhancements) Act;
- (B) the Corporate Services Providers Act, and
- (C) the Companies and Limited Liability Partnerships (Miscellaneous Amendments) Act.

These Acts implement changes that are viewed as necessary to prevent personal data and corporate vehicles from being abused, and to prevent money laundering and terrorism financing.

The key amendment(s) of each Act, and the pertinent changes introduced are summarised below:

## **KEY AMENDMENT(S) AND PROPOSED PERTINENT CHANGES**

### **(A) THE ACRA (REGISTRY AND REGULATORY ENHANCEMENTS) ACT**

The key amendment in the ACRA (Registry and Regulatory Enhancements) Act aims to strengthen and protect the confidentiality of personal information, i.e., residential addresses, from being exploited for malicious purposes.

#### **Current practice and accompanying issue(s)**

The residential address filed by an individual with the Registrar of Companies in association with a business entity is the address that is made public unless an alternate address is filed. In which case, the alternate address is made public.

This practice compromises the confidentiality of personal information, and may expose a residential address from being exploited for malicious purposes.

#### **Going forward under the new regime**

In addition to providing a residential address, individuals must file a contact address that is in 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, and will be used when the individual cannot be reached at the contact address.

The alternate address option will be removed. When the amendment comes into effect, all alternate addresses will automatically be converted to contact addresses.

## **(B) THE CORPORATE SERVICES PROVIDERS ACT**

### **First key amendment in the Corporate Services Providers Act**

The first key amendment in the Corporate Services Providers Act aims to expand the categories of corporate service providers who may transact on the behalf of their clients with ACRA, and measures to be implemented by registered corporate service providers to prevent and detect proliferation financing.

### **Current practice and accompanying issue(s) of corporate service providers who transact on the behalf of their clients**

Only corporate service providers who transact on the behalf of their clients with ACRA are required to register with ACRA. Only registered corporate services providers are subject to various requirements to prevent and detect money laundering and terrorism financing.

### **Going forward under the new regime relating to corporate service providers who transact on the behalf of their clients**

The categories of corporate service providers required to register with ACRA will expand to include -

- i. all Singapore-based entities that provide corporate services including those who do not transact on the behalf of their clients with ACRA, e.g., providers that only provide corporate services to overseas clients; and
- ii. all Singapore-based accounting entities that carry out specific activities designated by the Financial Action Task Force in relation to the provision of any accounting service.

All registered corporate service providers must implement measures to prevent and detect proliferation financing in addition to meeting various requirements to prevent and detect money laundering and terrorism financing.

In addition -

- i. the maximum sanction for a breach of any requirement to prevent and detect money laundering and terrorism financing by a corporate service provider will be increased from S\$25,000 per breach to S\$100,000 per breach; and
- ii. in certain circumstances, the senior management of a corporate service provider may be held personally liable for breaches of requirements to prevent and detect money laundering and terrorism financing, and may be subject to the sanction of S\$100,000 per breach. For example, if senior management knew or ought to have known of the breaches but failed to take all reasonable steps to prevent or stop the breaches.

A non-exhaustive list of “reasonable steps” an individual may take to prevent the commission of offences by a corporate service provider is set out in section 29(6) of the Corporate Service Providers Act.

## **(B) THE CORPORATE SERVICES PROVIDERS ACT (CONT'D)**

### **Second key amendment in the Corporate Services Providers Act**

The second key amendment in the Corporate Services Providers Act aims to ensure the competency of an individual acting as a nominee director. Notwithstanding that nominee directors may have to act in accordance with the instructions of the persons who appointed them, the same fiduciary and other legal duties imposed on directors apply. Individuals acting as nominee directors must understand their duties and responsibilities, and are “fit and proper” persons to carry them out.

### **Current practice and accompanying issue(s) relating to nominee director**

Corporate service providers have no obligation to ensure that individuals they arrange to act as nominee directors for their clients are “fit and proper” persons to carry out the duties of directors.

### **Going forward under the new regime relating to nominee director**

Section 38(b) of the Corporate Service Providers Act introduces a definition for 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”. This definition does not affect the scope of duties owed by directors (nominee or otherwise) under common law or the Companies Act 1967 (2020 Revised Edition), which remains the same.

Going forward, an individual can only act as a nominee director by way of businesses if the nominee directorship is arranged by a corporate service provider, or if the individual acting as the nominee director is the sole proprietor of a registered corporate service provider.

When arranging a nominee directorship, a corporate service provider must ensure that the individual is a “fit and proper” person. Guidance will be provided in due course on how to conduct assessments to ensure that a prospective nominee director possesses the requisite competency, capacity and integrity.

## **(C) THE COMPANIES AND LIMITED LIABILITY PARTNERSHIPS (MISCELLANEOUS AMENDMENTS) ACT**

### **First key amendment in the Companies and Limited Liability Partnerships (Miscellaneous Amendments) Act**

The first key amendment in the Companies and Limited Liability Partnerships (Miscellaneous Amendments) Act aims to make nominee arrangements more transparent.

#### **Current practice and accompanying issue(s) relating to nominee arrangements**

Nominee directors and nominee shareholders are required to disclose their particulars, their nominee status, and the particulars of their nominations to their companies only. Such information is not required to be shared with ACRA.

#### **Going forward under the new regime relating to nominee arrangements**

Companies are required to provide details of nominee arrangement, e.g., the particulars of their nominee directors, nominee shareholders, their nominators, to ACRA.

ACRA will make public the fact of an individual's nominee status only. The identity of the nominator and other details will not be publicly disclosed but such information may be shared by ACRA with other relevant public agencies.

### **Second key amendment in the Companies and Limited Liability Partnerships (Miscellaneous Amendments) Act**

The second key amendment in the Companies and Limited Liability Partnerships (Miscellaneous Amendments) Act aims to ensure that registers maintained by companies or limited liability partnerships are accurate, and the identities of those who control companies behind the scene are known to the authorities.

#### **Current practice and accompanying issue(s) relating to registers**

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

Limited liability partnerships must maintain registers of their registrable controllers (beneficial owners).

Information in the registers may not be up to date.

## (C) THE COMPANIES AND LIMITED LIABILITY PARTNERSHIPS (MISCELLANEOUS AMENDMENTS) ACT (CONT'D)

### Going forward under the new regime relating to registers

Companies and limited liability partnerships are required to verify and update their controllers' information annually.

In addition -

- i. the maximum fine for register-related offences will be increased from S\$5,000 to S\$25,000; and
- ii. the Companies and Limited Liability Partnerships (Miscellaneous Amendments) Act makes it an offence for a person to provide false or misleading information about their registers to ACRA punishable with a fine up to S\$25,000.

### Effective date

The effective date(s) when these Acts will come into force will be notified in the *Government Gazette*.

ACRA has indicated that it will provide sufficient lead time for the implementation of the proposed amendments in these 3 Acts.

### Conclusion

The implementation of the proposed amendments in the Act marks a concerted effort toward enhancing Singapore's anti-money laundering regime and updating ACRA's system of registers and Government-to-business communication. Notably, the amendments introduce certain new obligations and restrictions on corporate entities, particularly in relation to nominee directors, nominee shareholders, and the transparency and accuracy of corporate registers. The importance of compliance with these requirements is further highlighted by the increased maximum fines for relevant offence.

Companies should be aware of the changes to be implemented and take note of the expected timelines so as to ensure timely compliance with the applicable obligations.

For further queries, please feel free to contact our team below:

If you wish to understand more on the above, please feel free to approach:

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