

Annex: ACRA's responses to key feedback on the proposed amendments to Singapore's regulatory regime for Corporate Service Providers and to enhance beneficial ownership transparency.

Proposed amendments relating to Singapore's regulatory regime for Corporate Service Providers (CSPs)

- 1. Proposal: To introduce amendments for all Registered Qualified Individuals (RQIs), persons employed or engaged as RQIs, or any individual or partnership registered under the Business Names Registration Act 2014, limited liability partnership (LLP), limited partnership or company registered or incorporated in Singapore, that provide corporate services in and from Singapore be required to register with ACRA, regardless of whether they are required to transact with ACRA.**

Feedback: The feedback was supportive. Question was raised as to whether individuals, such as employees of entities providing CSP services, had to register as CSPs.

ACRA's response: **To proceed without modification.** The proposal is that only persons¹ carrying on a business of providing corporate services in and from Singapore will be required to be registered as CSPs. In relation to individuals, the RQI framework will be retained and every CSP will be required to have an RQI. As with the current practice, individuals employed by CSPs must also be registered with ACRA if the individuals transact with ACRA on behalf of the CSP. ACRA's policy intent is to ensure that all registered CSPs will be subject to Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) obligations, regardless of whether they need to file transactions with ACRA.

¹ Persons refer to individuals or partnerships registered under the Business Names Registration Act 2014, companies, limited liability partnerships, and limited partnerships.

2. Proposal: To increase the maximum financial penalty for breaches of the terms and conditions of registration by:

- i) Registered Filing Agents (RFAs) from \$25,000 per breach to \$50,000 per breach, and impose an equivalent financial penalty for CSPs;**
- ii) RQIs from \$10,000 per breach to \$20,000 per breach.**

Feedback: The feedback was mostly supportive. While some respondents had commented that the increase in financial penalty could be excessive, other respondents suggested to raise the financial penalties further, as other Designated Non-Financial Businesses and Professionals (DNFBP) sectors in Singapore are subject to higher maximum financial penalties.

ACRA's response: **To proceed with modification.** ACRA will differentiate the penalties for CSPs² based on breaches of AML/CFT and non-AML/CFT obligations, with a maximum fine of \$100,000 per breach of AML/CFT obligations³. This is an increase from the current maximum financial penalty of \$25,000 for breaches by RFAs in order to reflect the serious nature of AML/CFT obligations, and it is also in line with the maximum penalty imposed on other DNFBPs in Singapore.

The maximum financial penalty for breaches of non-AML/CFT obligations by CSPs will remain at \$25,000. The maximum financial penalty for RQIs will remain at \$10,000 as breaches by RQIs are not AML/CFT in nature.

ACRA will continue to enforce both breaches of AML/CFT and non-AML/CFT obligations by employing a range of approaches, including imposing penalties based on the severity of the breaches committed and the presence of mitigating factors.

3. Proposal: To introduce a fine not exceeding \$100,000 on directors, owners, or partners of CSPs for the CSP's breach of AML/CFT obligations if the breach was committed with the consent or connivance of, or is attributable to, any neglect by these individuals.

Feedback: The feedback was supportive.

ACRA's response: **To proceed without modification.**

² "RFA" will no longer be used as this person will be termed a CSP under the CSP Bill.

³ See proposal 3 on the fines that will apply to individuals who commit AML/CFT breaches.

4. **Proposal: To provide that the AML/CFT obligations for CSPs also cover proliferation financing. These obligations require CSPs to perform screening against prescribed sources (including relevant Regulations under the United Nations Act) and to perform risk assessments on their customers.**

Feedback: The feedback was supportive.

ACRA's response: **To proceed without modification.**

5. **Proposal: To require CSPs to implement a group-wide AML/CFT policy to require their branches and subsidiaries in Singapore or elsewhere to have a group policy to mitigate their money laundering and terrorism financing risks.**

Feedback: The feedback was supportive.

ACRA's response: **To proceed without modification.**

6. **Proposal: To remove the requirement for RFAs to display their notices of registration conspicuously at every place of business at which they carry out the function of a filing agent.**

Feedback: The feedback was supportive.

ACRA's response: **To proceed without modification.**

7. **Proposal: To remove the exemptions equivalent to those in paragraphs 10(7)(a) and 10(7)(b) of the First Schedule of the ACRA (Filing Agents and Qualified Individuals) Regulations which provide that RFAs do not have to inquire on the existence of beneficial owners in relation to a customer which is a Singapore government entity or a foreign government entity.**

Feedback: The feedback was supportive.

ACRA's response: **To proceed without modification.**

8. **Proposal: To require CSPs to ensure that individuals they appoint to act as nominee directors:**
- i) **are fit and proper; and**
 - ii) **satisfy prescribed training requirements, if they hold more than a legally prescribed number of nominee directorships by way of business (unless they are qualified persons⁴).**

Feedback: Most respondents were supportive of the requirement for CSPs to ensure that the individuals they appoint to act as nominee directors are fit and proper, and had requested more information about the requirements for nominee directors to be fit and proper. Some respondents had expressed concerns that introducing additional requirements on individuals that hold more than a prescribed number of nominee directorships might be unnecessarily restrictive, and could inadvertently increase the cost of doing business.

ACRA's response: **To proceed with modifications.** ACRA will proceed with the proposal for CSPs to be satisfied that the individuals they arrange to act as nominee directors, meet fit and proper requirements, irrespective of the number of nominee directorships they hold. The details of the fit and proper requirements will be provided in subsidiary legislation or guidance.

ACRA has reviewed the feedback and will not proceed with the proposal in 8(ii). Instead, ACRA will enhance its supervisory and enforcement efforts on persons who hold a large number of nominee directorships and exhibit other high-risk indicators. This is a more robust approach which enables ACRA to factor in other risk indicators, and not only the number of nominee directorships held, to identify and profile persons of concern and target its supervisory and enforcement actions accordingly. This may include debarment, fines and others. This will similarly achieve the objective of mitigating the misuse of nominee directorships.

⁴ A qualified person is one who satisfies the professional requirements under Regulation 4 of the ACRA (Filing Agents and Qualified Individuals) Regulations, such as:

- an advocate and solicitor of the Supreme Court of Singapore;
- a public accountant registered under the Accountants Act 2004;
- a member of the Institute of Singapore Chartered Accountants;
- a member of the Association of International Accountants (Singapore Branch);
- a member of the Institute of Company Accountants, Singapore; or
- a member of the Chartered Secretaries Institute of Singapore.

9. **Proposal: To require nominee directors and shareholders to disclose their nominee status and the identity of their nominators to ACRA and for ACRA to maintain such information. Upon disclosure to ACRA, the nominee status of the director/shareholder will be made publicly available.**

Feedback: The feedback was supportive.

ACRA's response: **To proceed without modification.**

Proposed amendments to enhance transparency of beneficial ownership of companies and LLPs

- 10. Proposal: To empower the Registrar to impose a financial penalty of up to \$10,000 on any person who inadvertently, or without intent to mislead or defraud, makes any inaccurate or erroneous statement to the Registrar, in complying with section 386AM(1)-(2) of the Companies Act 1967 (CA) and section 32L(1)-(2) of the Limited Liability Partnerships Act 2005.**

Feedback: The feedback was supportive. Some respondents expressed concerns that the proposed financial penalty would be harsh if there was no intent to mislead or defraud.

ACRA's response: **To proceed with modifications.** This proposal is intended to address situations where the person provides false or misleading information without exercising due diligence. It is not intended to punish errors made due to typographical or clerical mistakes or when rectifications are made to correct previously submitted erroneous information. ACRA has further reviewed the proposal and will adopt the existing modality of fines in the CA. Therefore, the proposed penalty (\$10,000) will be removed and introduced as a new offence. To this end, the penalty would be aligned with the offence in section 386AM(4) CA for not complying with section 386AM(1)-(2) CA and be subject to a maximum fine of \$25,000.

- 11. Proposal: To increase the maximum fine for offences pertaining to the Registers of Controllers and Nominee Directors from \$5,000 to \$20,000.**

Feedback: Feedback received was supportive.

ACRA's response: **To proceed with modifications.** The Business Trusts Act 2004 contains requirements on beneficial information applicable to registered business trusts⁵, which are similar to the requirements applicable to companies under the CA. Under the Business Trusts (Amendment) Act 2022 (BTAA 2022), the maximum fine for the offences pertaining to the new requirements is \$25,000. For parity with the BTAA 2022 and to ensure

⁵ Passed on 3 October 2022, the Business Trusts (Amendment) Act 2022 will amend the Business Trusts Act 2004 to introduce the requirements.

consistent and dissuasive penalties for similar requirements across the BTA and CA, we will be modifying the proposal to increase the maximum fine to \$25,000.

- 12. Proposal: To require companies and LLPs to verify the accuracy of the information in their Register of Controllers with their controllers annually. Entities that fail to do so will be liable to a maximum fine of \$20,000.**

Feedback: The feedback was supportive. Some respondents suggested aligning the maximum fine applicable to the new requirement under this proposal to that under proposal s/n 11 (increase the maximum fine for offences pertaining to the Registers of Controllers and Nominee Directors from \$5,000 to \$20,000).

ACRA's response: **To proceed with modifications.** To align with the maximum fine under proposal s/n 11, the maximum fine will be increased from \$5,000 to \$25,000.

- 13. Proposal: To require local companies who are exempt from maintaining a Register of Controllers to declare the category of exemption they fall under, as part of their annual returns; and apply the same requirements for foreign companies.**

Feedback: Feedback received was supportive.

ACRA's response: **To proceed without modification.**

- 14. Proposal: To (a) require the controller to provide his or her dated signature accompanied by a statement stating that the information provided in his or her confirmation or notification is true and accurate, in the controller's confirmation or notification; and (b) amend the forms of notices accordingly to provide for this requirement.**

Feedback: Feedback received was supportive.

ACRA's response: **To proceed without modification.**

- 15. Proposal: To include a column for remarks in the prescribed form of the Register of Controllers.**

Feedback: Feedback received was supportive.

ACRA's response: **To proceed without modification.**

- 16. Proposal: To prescribe two additional particulars, namely e-mail address(es) and contact number(s), for the Registers of Controllers and Nominee Directors.**

Feedback: The feedback was supportive.

ACRA's response: **To proceed without modification.**

- 17. Proposal: To increase the prescribed time for entities to enter or update the particulars of a controller in their Register of Controllers from 2 business days to 7 calendar days.**

Feedback: The feedback was supportive.

ACRA's response: **To proceed without modification.**