

**SECOND READING SPEECH BY INDRANEE RAJAH, SECOND MINISTER
FOR FINANCE ON THE CORPORATE SERVICE PROVIDERS BILL, AND THE
COMPANIES AND LIMITED LIABILITY PARTNERSHIPS (MISCELLANEOUS
AMENDMENTS) BILL ON 2 JULY 2024**

Madam Deputy Speaker, I beg to move, "That the Bill be now read a second time."

2. Madam, this Bill is linked to the next Bill on the Order Paper, the Companies and Limited Liability Partnerships (Miscellaneous Amendments) Bill. May I propose that the debates on both Bills take place together, although we will still have a formal Second Reading of the Companies and Limited Liability Partnerships (Miscellaneous Amendments) Bill to comply with the procedural requirements?

Introduction

3. Madam, MOF and ACRA regularly review the effectiveness of our anti-money laundering policies to ensure that our regime continues to stay relevant, amidst evolving threats and increasingly sophisticated crimes. Today, the House will be debating two Bills which are intended to strengthen Singapore's anti-money laundering regime –

- a. First, the Corporate Service Providers Bill to enhance our regulatory regime for corporate service providers, and
- b. Second, the Companies and Limited Liability Partnerships (Miscellaneous Amendments) Bill, which will complement the CSP Bill by enhancing the transparency of companies and limited liability partnerships, or LLPs.

4. Money laundering has been a subject of significant public interest recently, largely due to the \$3 billion money laundering case uncovered last year. While insights from the incident have been incorporated, I would like to emphasise that the proposals in both Bills are part of MOF and ACRA's ongoing enhancements and were in development even before the case was uncovered.

Corporate Service Providers Bill

5. Let me start with the Corporate Service Providers Bill. Corporate service providers, or CSPs, play an important role in anti-money laundering. CSPs provide a range of services to businesses, such as helping them to comply with regulatory requirements like the filing of annual returns, as well as other services such as arranging for another person to act as a director of a business.

6. As CSPs may support companies in a number of key company activities, they serve as gatekeepers against the misuse of companies. They are therefore regulated by ACRA to ensure that they fulfil their obligations.

- a. Today, non-residents looking to set up companies in Singapore must engage a CSP to do so.
- b. While this is not mandatory for locals, many locals still opt to engage CSPs to facilitate company incorporation.
- c. Regardless of whether their clients are residents or not, all CSPs must conduct customer due diligence before incorporating a company.

7. This Bill will enhance our regulatory regime for CSPs, to deter the misuse of companies and bolster our efforts to combat money laundering.

8. There are three key areas of the CSP Bill.

Key Area 1 – Registration with ACRA as CSPs

9. First, all entities carrying on a business in Singapore of providing corporate services must register with ACRA as a CSP.

10. Under the current regime, only CSPs that carry out transactions with ACRA on their customers' behalf are required to register with ACRA. These transactions involve the statutory filing of documents in the course of providing corporate secretarial services. There are nearly 3,000 CSPs regulated by ACRA today, and filings done by these CSPs account for 70% of ACRA's filing transactions.

11. With this Bill we will expand ACRA's regulatory scope to include Singapore-based entities that provide corporate services, even if they do not transact with

ACRA. These could be, for example, entities that provide corporate services exclusively to overseas clients and hence, do not transact with ACRA.

12. In addition, we will also extend the obligation to register to include entities that, in relation to their provision of accounting services, carry out specific services defined by the Financial Action Task Force.

13. The widened coverage of ACRA's regulatory regime will ensure that all entities providing corporate services from Singapore, regardless of whether they serve local or foreign clients, have the same obligations in our fight against financial crime.

Key Area 2 – Fines for errant CSPs and senior management

14. The second key area of the CSP Bill is the introduction of fines on CSPs and their senior management for non-compliance with their duties to combat financial crime.

15. Today, ACRA already imposes sanctions on CSPs and their registered qualified individuals for non-compliance with ACRA's regulations. These include financial penalties of up to \$25,000 per breach, or in egregious scenarios, the suspension or cancellation of their registration. Since 2021, ACRA had taken an increasingly strict stance over CSPs and registered qualified individuals found to be non-compliant. Between 2021 and June this year, ACRA has imposed 41 sanctions against CSPs and registered qualified individuals. In 31 of these cases the registration of the CSPs or registered qualified individuals was cancelled or suspended.

16. We will tighten our regulations for breaches of obligations to combat financial crime.

- a. We will increase the sanctions for non-compliance by CSPs of their obligations to detect and prevent money-laundering, from the existing financial penalty of \$25,000 to a fine of \$100,000.
- b. Additionally, the senior management of such firms, such as the CEO, can, in certain circumstances be held liable for such breaches. For example, if they knew or ought reasonably to have known that the offence would be or is being committed but failed to take all

reasonable steps to prevent or stop the commission of that offence. Upon conviction, they can likewise be fined up to \$100,000.

Key Area 3 – Nominee directorship arrangements

17. The third area of the CSP Bill will address the potential misuse of nominee directorship arrangements.

18. A nominee director is a person who is appointed as a director of a company, but acts according to another person's directions.

- a. All directors play an important role in preventing the misuse of companies. They owe fiduciary duties to a company, and are required to discharge their duties responsibly, with honesty and reasonable diligence.
- b. Nominee directors have the same legal obligations as other directors. Those who fail in discharging their duties can face sanctions, including disqualification and debarment.

19. We recognise that nominee directorship arrangements are a legitimate service provided by many CSPs, to support their overseas-based clients to set up a company in Singapore and fulfil Singapore's requirement for an ordinarily resident director.

- a. However, such arrangements are vulnerable to abuse and can lead to the conduct of illicit activities if the nominee directors do not perform their fiduciary duties well. As important gatekeepers in the ecosystem, CSPs cannot arrange for nominee directorships in a cavalier manner. In some cases, we have observed individuals who are clearly unfit to bear the responsibilities of being a director, but were arranged by errant CSPs to act as nominee directors.

20. We will therefore do more to tackle the misuse of nominee directorship arrangements.

- a. First, we will require that individuals can only act as a nominee director by way of business if the nominee directorship was arranged by a CSP, unless the individual himself is the sole proprietor of a

registered CSP. This could include a scenario in which, for example, an individual receives a fee for providing such services to his clients. Those found guilty of breaching this requirement can face a fine of up to \$10,000.

- b. Second, CSPs will be required to ensure that the individuals they arrange to act as nominee directors are fit and proper. The general principle is that CSPs must apply their professional judgement and appoint individuals who possess the necessary competencies as nominee directors. CSPs should also be satisfied with the capacity, conduct and integrity of these individuals, which could include checking their compliance records to evaluate if they have the capacity to take on additional directorships. CSPs who are found guilty of breaching this requirement can face a fine of up to \$100,000.

Companies and Limited Liability Partnerships (Miscellaneous Amendments) Bill

21. Madam, let me now move to the second Bill, the Companies and Limited Liability Partnerships (Miscellaneous Amendments) Bill, which will introduce amendments to the Companies Act and the LLP Act to complement the CSP Bill in enhancing Singapore's anti-money laundering regime.

22. There are two sets of amendments in this Bill, which will help to enhance the transparency of companies and limited liability partnerships, or LLPs.

Key Amendments Set 1 – Accuracy of Registers

23. The first set of amendments will enhance the accuracy of the information contained on the various registers that are currently maintained by companies and LLPs.

24. Today, both companies and LLPs are required to maintain registers of their registrable controllers, or beneficial owners. These are individuals or corporate entities that have a significant interest in or significant control over the company or LLP.

25. In addition, companies are also required to maintain registers of their nominee directors and nominee shareholders respectively. These registers

promote transparency, by ensuring that when there are persons exercising control of legal persons behind the scenes, they are known to the authorities.

26. But the usefulness of these registers depends on their accuracy. A register with inaccurate, incomplete or out of date information is of no use to the authorities. Those that do not update their registers in a timely manner already face penalties under the Companies Act and the LLP Act.

27. The Bill makes three enhancements.

- a. First, we will raise the maximum penalties for companies and LLPs that commit offences relating to their registers, from \$5,000 to \$25,000. These offences could include failing to maintain their registers, keep the information up-to-date or correct inaccurate information.
- b. Next, we will make it an offence for persons to provide false or misleading information about their registers to ACRA, with a fine of up to \$25,000. This will apply to persons who did not act with reasonable due diligence in ensuring the accuracy of the information that they provide to ACRA.
- c. Third, we will require companies and LLPs to verify and update their controllers' information on an annual basis.

Key Amendments Set 2 – Nominee Status

28. The second set of amendments will further enhance transparency around nominee arrangements.

29. Today, individuals who are nominee directors or shareholders are required by law to disclose their particulars and nominee status to their companies, but there is no requirement for them or their companies to share this information with ACRA.

30. To promote even greater transparency, the Bill will require companies to provide the full information of nominee arrangements to ACRA, such as the particulars of the nominee directors and shareholders, as well as the identities of the nominators behind these nominees.

- a. This information will only be available to ACRA and other public agencies for the enforcement of any written law.
- b. However, ACRA will make public which of a company's directors and shareholders are nominees. In other words, an individual's *status* as a nominee director will be made public although the *identity* of the nominator will not be disclosed.
- c. This information will be useful to banks, CSPs and other gatekeepers who may, for instance, wish to conduct additional checks on companies with many nominee directors or shareholders.

Conclusion

31. Madam Deputy Speaker, together, these two Bills fortify our legislative and regulatory framework against the misuse of companies and other legal persons, reflecting our collective approach towards money laundering. This issue cannot be single-handedly tackled by an individual stakeholder. All stakeholders, including companies and CSPs, must each play their role in the fight against financial crime, by upholding transparency and adhering to their anti-money laundering obligations.

32. Madam Deputy Speaker, I beg to move.