

Corporate Commercial

# ACRA Enhances Corporate Compliance Regime to Combat Money Laundering

## Introduction

As Singapore's corporate regulator, the Accounting and Corporate Regulatory Authority ("**ACRA**") regularly updates and enhances legislation under its administration. This has become particularly important in light of the rising threat of money laundering, which has necessitated greater vigilance and corporate compliance. Money laundering has indeed come under the spotlight in recent times, with industry stakeholders keenly anticipating the changes that will be implemented in line with anti-money laundering efforts.

As part of its regular review, and to strengthen Singapore's anti-money laundering regime, ACRA introduced a number of legislative amendments to the corporate compliance regime, which have now been passed in Parliament on 2 July 2024:

- **Corporate Service Providers ("CSP") Act**, which aims to enhance the regulatory regime for the CSP sector;
- **Companies and Limited Liability Partnerships (Miscellaneous Amendments) ("CLLPM") Act**, which aims to enhance the transparency of beneficial ownership of companies and limited liability partnerships ("**LLPs**"); and
- **ACRA (Registry and Regulatory Enhancements) ("ACRA Enhancements") Act**, which aims to bolster data protection, facilitate digital communications between the Government and businesses, and enhance the regulatory framework for entities under the ACRA's purview (collectively, "**Acts**").

Among other changes, the Acts introduce new obligations and restrictions on corporate entities in relation to maintenance of registers, nominee directors and shareholders, and personal data filed with ACRA. The Acts will come into operation on such date as notified in the Gazette. In the meantime, ACRA has provided further indication of the implementation timeline for the amendments in the Acts. Parties should thus be aware of the amendments and what steps need to be taken to ensure compliance with the updated measures.

This Update highlights the key features of the Acts and the compliance measures therein, as well as the indicated timelines for implementation.



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## Background

The Ministry of Finance ("MOF") and ACRA regularly review the effectiveness of Singapore's anti-money laundering policies to ensure that the regime stays relevant in the face of evolving threats and increasingly sophisticated crimes. While the amendments in these Acts are part of the review process, insights from recent money laundering incidents, including the notable S\$3 billion money laundering case uncovered in 2023, have also been incorporated.

MOF and ACRA had earlier conducted public consultations on the draft Bills, and responded to feedback received in the consultations. The finalised Bills were then introduced in Parliament for first reading on 7 May 2024.

- For more information on the CSP Bill and the CLLPMA Bill at the consultation stage, please see our earlier Legal Update [here](#). For more information on the CSP Bill and the CLLPMA Bill at the first reading stage, please see our earlier Legal Update [here](#).
- For more information on the ACRA Enhancements Bill at the consultation stage, please see our earlier Legal Update [here](#). For more information on the ACRA Enhancements Bill at the first reading stage, please see our earlier Legal Update [here](#).

The Acts have now been passed in Parliament on 2 July 2024. For more information, please click on the following links (available on the ACRA portal):

- [CSP Act and CLLPMA Act](#)
- [ACRA Enhancements Act](#)

## Key Features on the CSP Act and CLLPMA Act

The key amendments in the CLLPMA Act include the following:

- **Change in definition of "Nominee Shareholders"** – The definition of "nominee shareholders" under the Companies Act will be amended as a shareholder who fulfils **either or both** of the following criteria: (i) The shareholder is accustomed or under an obligation whether formal or informal to vote, in respect of shares in the company or foreign company of which the shareholder is the registered holder, in accordance with the directions, instructions or wishes of any other person; and (ii) The shareholder receives dividends, in respect of shares in the company or foreign company of which the shareholder is the registered holder, on behalf of any other person.

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- **Nominee status of a nominee director/shareholder** – Companies and foreign companies will be required to file all information kept in their register of nominee directors and register of nominee shareholders with ACRA, which will maintain such information in a central register. The nominee status of a nominee director/shareholder will be made publicly available.
- **Increase in fines for breaches relating to company registers** – The amendments will introduce new obligations relating to updating and maintaining the register of controllers, nominee directors and nominee shareholders, and responding to the Registrar/ACRA in relation to such registers, with a maximum fine of S\$25,000 for any breach. The maximum fine for existing offences relating to these registers will also be increased from S\$5,000 to S\$25,000.
- **Foreign companies' nominee directors** – Foreign companies will also be subject to the requirement to maintain a register of nominee directors.
- **Change in timeline for register of registrable controllers** – Companies and LLPs will be required to keep a register of registrable controllers starting on the date of incorporation or registration.

The key provisions in the CSP Act include the following:

- **Registration of CSPs** – All business entities that carry on a business in Singapore of providing any corporate service must be registered with ACRA as a registered CSP even if they do not file transactions on behalf of their customers with ACRA.
- **Extension of risk obligations** – All registered CSPs will be required to carry out customer due diligence measures relating to detecting and preventing the financing of proliferation of weapons of mass destruction, in addition to existing requirements for detecting and preventing money laundering and terrorism financing (collectively, "**AML / CFT / PF requirements**").
- **Criminal liability** – Registered CSPs will be subject to criminal liability for breaches of their AML / CFT / PF requirements, as will their senior management for failure to ensure that the registered CSP complies with its AML / CFT / PF requirements.
- **Requirements for nominee directors** – A person will only be able to act as a nominee director of a company if the appointment is arranged by a registered CSP. Further, a registered CSP must not arrange for a person to act as a nominee director of a company unless he is satisfied that the person is fit and proper.

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## Key Features of the ACRA Enhancements Act

The key amendments in the ACRA Enhancements Act include the following:

- **Balancing corporate transparency and data privacy** – A tiered disclosure framework will be introduced to calibrate the disclosure of data that is filed with or collected by ACRA.

For information on individuals maintained on ACRA's registers, the contact address will be introduced as the default address that will be shown to the public, instead of the individual's residential address. The existing alternate address regime will be abolished.

- **Digitalisation of communications** – The amendments will enable ACRA to send documents and information (other than court summons) via a secure digital mailbox in BizFile+.
- **Improve filing convenience and data accuracy** – ACRA will be empowered to obtain and use data from prescribed government agencies or prescribed entities for filing transactions and maintaining information on ACRA's register.
- **Enhance the accuracy of registers of directors** – The ACRA Enhancements Act makes it clear that the Registrar is empowered to: (i) reflect the disqualification status of individuals disqualified under any section of the Companies Act; and (ii) use information obtained from the courts to reflect the disqualification status of individuals disqualified under any section of the Companies Act in ACRA's register.
- **Financial reporting for foreign companies** – The ACRA Enhancements Act will streamline the financial reporting requirements for foreign companies by requiring foreign companies to lodge with the Registrar different types of financial statements, depending on the circumstances of the company.

## Implementation and Transition

ACRA has provided the following indications in relation to the expected implementation timeline of the amendments.

- The Acts will only come into operation on such date as notified in the Gazette. ACRA has indicated that it will provide sufficient lead time for the implementation of the proposed amendments in the Acts.
- ACRA has further indicated that more details on the transition plans for legislative changes relating to contact address and digital communications (as contained in the ACRA Enhancements Act) will be made known by early August.

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- The enhanced Bizfile system is targeted to launch by the end of 2024.

To facilitate the abolishment of the existing alternate address regime, individuals' existing alternate address will be automatically converted and kept in ACRA's register as their contact address upon commencement of the contract address regime. For individuals without an alternate address, their residential address will be automatically converted and kept in ACRA's register as their contact address.

### Concluding Words

The amendments in the Acts mark 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 offences.

Companies should thus 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 members below.

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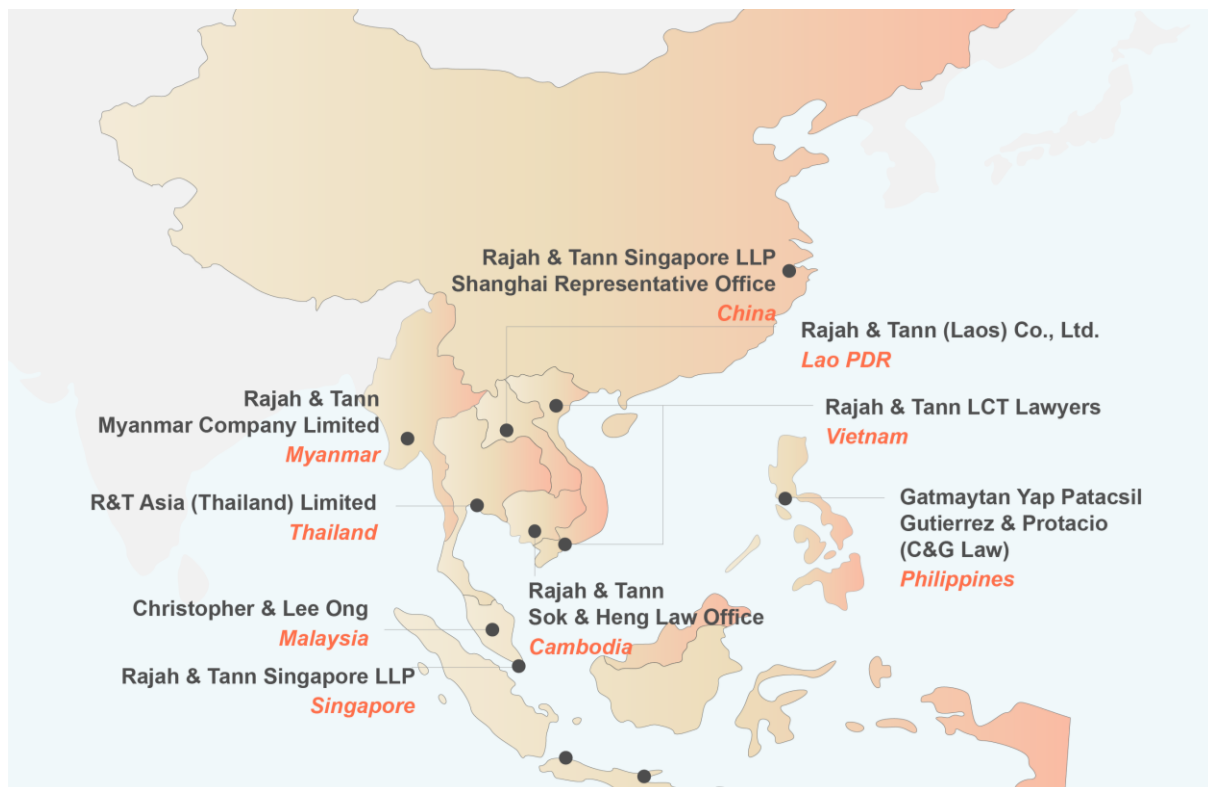
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