

Competition & Antitrust and Trade

## Bill Passed to Enhance Oversight of Goods Passing through Free Trade Zones

### Introduction

On 4 October 2023, the Free Trade Zones (Amendment) Bill 2023 ("**Bill**") was passed in Parliament. The Bill amends the Free Trade Zones Act 1966 and makes consequential amendments to the Customs Act 1960.

The Bill seeks to update and strengthen the free trade zone ("**FTZ**") regime by enabling better oversight of goods flowing through FTZs while still ensuring the efficient movement of goods, and incorporates relevant feedback received during the public consultation exercise conducted by the Ministry of Finance ("**MOF**") on the draft Free Trade Zones (Amendment) Bill ("**draft Bill**").

This Update provides a summary of the key feedback received during the public consultation and MOF's response. It also briefly highlights the key changes that the Bill will introduce.

### MOF's Response to the Public Consultation Feedback

From 20 March to 9 April 2023, MOF conducted a public consultation seeking comments on the draft Bill. For further information regarding the public consultation, please read our earlier Legal Update [here](#). On 18 September 2023, MOF issued its response to feedback received pursuant to the public consultation. Key feedback related to the draft Bill's proposed amendments to:

- introduce licensing regimes for FTZ operators and FTZ cargo handlers; and
- require FTZ operators, cargo handlers and shipping agents to collect and transmit relevant information to improve cargo visibility within the FTZ.

The table below provides a summary of the key feedback received and MOF's response.

Public Feedback	MOF Response
<b>Introduction of licensing regimes for FTZ operators and FTZ cargo handlers</b>	
<ul style="list-style-type: none"> <li>• Clearly delineate the roles, responsibilities and rights between FTZ operator and FTZ cargo handler licensee</li> <li>• Account for existing industry practices whereby FTZ cargo handlers may hire</li> </ul>	<p><b>Accepted</b></p> <ul style="list-style-type: none"> <li>• FTZ cargo handlers will no longer need to be licensed</li> <li>• The definitions and general responsibilities of FTZ cargo handler will be retained</li> <li>• Customs will only issue directions to specific FTZ cargo handlers to collect and transmit data</li> </ul>

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Public Feedback	MOF Response	
third-party companies to assist with cargo handling		
<ul style="list-style-type: none"> <li>Avoid placing additional security requirements upon existing FTZ authorities via FTZ operators' licensing conditions, especially for FTZs that are designated as protected places</li> </ul>	<b>Noted</b>	<ul style="list-style-type: none"> <li>Existing security measures that apply to protected places will be sufficient</li> <li>FTZs that are designated as protected places are unlikely to experience an additional security burden</li> </ul>
<ul style="list-style-type: none"> <li>Align duration of licence validity period with other licences, issued by other agencies, whose validity periods are longer</li> </ul>	<b>Not accepted</b>	<ul style="list-style-type: none"> <li>Shorter validity period duration of FTZ operator licence, and licence renewal requirement, are necessary to ensure ongoing compliance by licensees</li> </ul>
<ul style="list-style-type: none"> <li>Waive the reporting requirements for certain retail trades operating within the FTZs</li> </ul>	<b>Not accepted</b>	<ul style="list-style-type: none"> <li>Reporting requirements are necessary to ensure Customs' oversight over retail trade within the FTZ</li> <li>FTZ operators are not required to seek approval from Customs to authorise retail trade</li> <li>FTZ operators will only need to submit key information to Customs regarding the authorisation</li> </ul>
<b>Requirements for FTZ operators, cargo handlers and shipping agents to collect and transmit relevant information to improve cargo visibility within the FTZ</b>		
<ul style="list-style-type: none"> <li>Align data transmission timings for vessels with current industry practices</li> <li>Shipping agents may be unable to submit the required bill of lading data if the vessel under their charge has diplomatic clearances</li> </ul>	<b>Noted</b>	<ul style="list-style-type: none"> <li>Customs will work with FTZ operators on operational aspects of the data transmission requirements</li> </ul>
<ul style="list-style-type: none"> <li>Engage air cargo community and relevant stakeholders on the planned implementation of the data transmission regime for air cargo</li> </ul>	<b>Noted</b>	<ul style="list-style-type: none"> <li>Customs has notified the primary stakeholders in the air cargo community of the impending changes</li> <li>Customs will engage the primary stakeholders in the air cargo community as part of the pre-implementation phase of the air cargo data transmission regime.</li> </ul>

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## Key Changes under the Bill

The Bill was introduced in Parliament on 18 September 2023 and passed on 4 October 2023. During his second reading speech Senior Minister of State for Finance, Mr Chee Hong Tat, highlighted that the changes to be introduced by the Bill were carefully calibrated, in consultation with industry and relevant stakeholders, to improve Customs' ability to detect illicit activities while keeping Singapore's FTZ regime efficient and pro-business for companies.

Key changes under the Bill include:

- **Licensed FTZ operators.** The administration, maintenance and operation of FTZs will be by licensed FTZ operators instead of authorities. During the transition period, appointed authorities will continue undertaking the administration, maintenance and operation of FTZs, until FTZ operators are licensed to do so in their place.
- **Licensing framework.** Licensed FTZ operators will be subject to a licensing framework that includes:
  - applications for an FTZ operator licence or renewals must be made to the Director-General of Customs ("**Director-General**") in the prescribed form;
  - licence conditions that may be imposed by the Director-General; and
  - empowerment of the Director-General to issue directions.

Failing to comply with a licensing condition or direction can result in a fine of up to S\$10,000.

- **Directions to FTZ cargo handlers.** Following feedback received during the public consultation, the draft Bill's proposed amendment requiring FTZ cargo handlers to be licensed has been removed. Instead, the Director-General may issue directions to a FTZ cargo handler.

Directions include those:

- relating to the monitoring and managing of movement of goods within the FTZ;
- requiring the FTZ cargo handler to implement systems and procedures to monitor and ensure the security of any premise within the FTZ; and/or
- requiring the FTZ cargo handler to provide information to any person in relation to any goods that are dangerous or prejudicial to the public interest, health or safety.

Non-compliance attracts a fine of up to S\$10,000.

- **Submission of reports.** The Director-General can require licensed FTZ operators and FTZ cargo handlers to submit and retain reports containing prescribed information. Non-compliance attracts a fine of up to S\$10,000 and/or a jail term of up to three years.

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- **Suspicion of contraventions:** Where any licensed FTZ operator or FTZ cargo handler has reason to suspect that any goods in their possession, custody, charge or control contravene any written law, they must notify the Director-General. Non-compliance attracts a fine of up to S\$5,000.
- **Information on movement of goods:**
  - Shipping agents and air cargo agents for any goods brought or intended to be brought into a FTZ must give the FTZ cargo handler for that FTZ prescribed information contained in the bill of lading or airway bill for those goods.
  - FTZ cargo handler must transmit the received information to the Director-General.

Non-compliance attracts a fine of up to S\$10,000, and/or a jail term of up to 12 months.

- **Enhancement of the enforcement powers** of the Director-General and Customs officers.

When replying to questions raised during the second reading debate, Mr Chee stated that the implementation of the provisions will be phased in from early 2024 and companies will have a six-month transition period to adjust to the new FTZ regime.

## Concluding Words

The Bill updates and strengthens the FTZ regime by enabling the better detection, deterrence and prevention of money laundering, associated predicate offences and terrorism financing, and protecting Singapore's financial system against illegal activities and illicit fund flows. These create significant changes in business operations in the FTZs. Industry players must review these changes carefully and consider how they will impact existing workflows, including updating compliance checklists, updating customer due diligence lists, and working out what different or new types of information must be reported as part of the new regime, amongst others. Do note that the regulators' enforcement powers will be enhanced, and non-compliance does attract fines and/or jail terms.

Please contact our team if you wish to discuss how best to navigate the operational changes that will flow from the changes to the FTZ regime, or any other related issues.

Please click the following links for further information:

- [MOF Public Consultations – "Summary of Responses to Public Consultation on the Draft Free Trade Zones \(Amendment\) Bill 2023"](#) (available on the MOF website at [www.mof.gov.sg/home](http://www.mof.gov.sg/home))
- [Free Trade Zones \(Amendment\) Bill 2023](#) (available on the Parliament website at [www.parliament.gov.sg](http://www.parliament.gov.sg))
- [Second Reading Speech by Senior Minister of State for Finance, Mr Chee Hong Tat, on the Free Trade Zones \(Amendment\) Bill](#) (available on the MOF website at [www.mof.gov.sg/home](http://www.mof.gov.sg/home))

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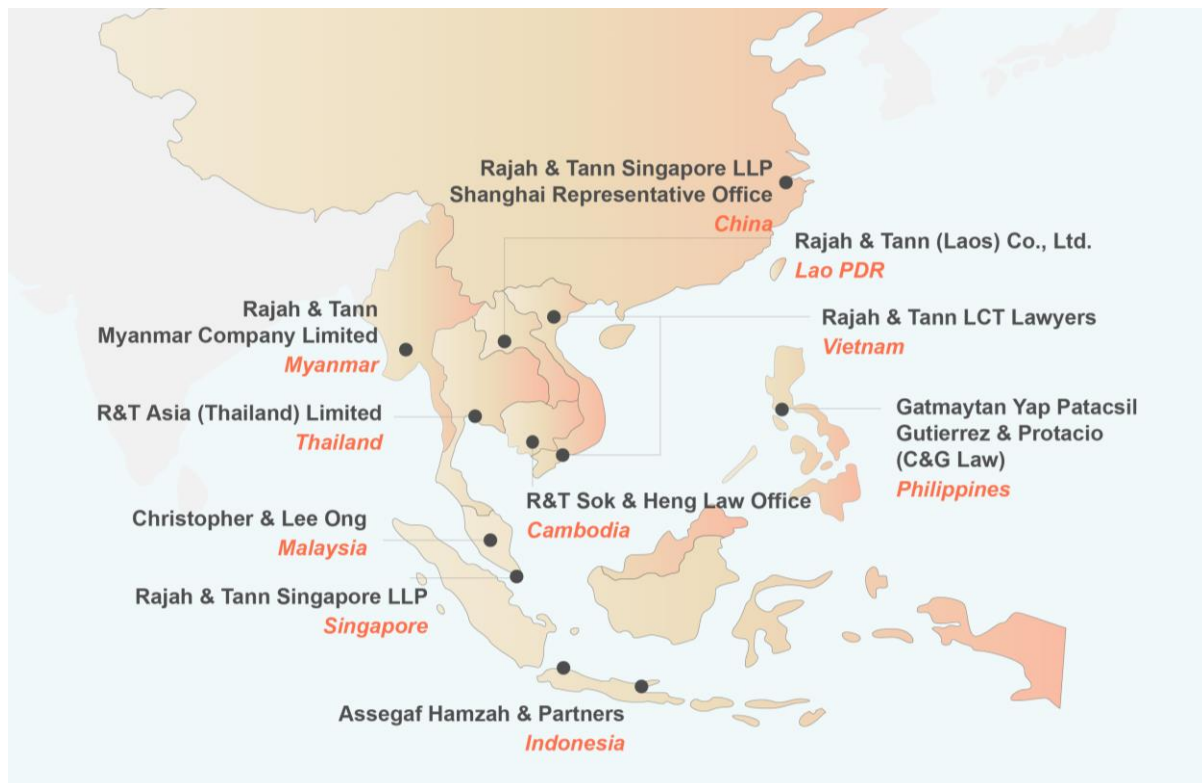
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