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INTRODUCTION

BACKGROUND

The Companies Act (henceforth referred to as the “Act”) was enacted in 1967. It applies to all companies incorporated in Singapore, and contains provisions relating to the life-cycle of companies, from incorporation to management to winding up. The Act also contains some provisions that apply only to listed companies and branches of foreign companies (“foreign companies”) set up in Singapore. Besides the Act, companies listed on the Singapore Exchange are required to abide by the Securities and Futures Act (SFA), Singapore Code of Takeover and Merger, Listing Rules and Code of Corporate Governance as well.

2. The last review of the Act was conducted in 1999 by the Company Legislation and Regulatory Framework Committee (“CLRFC”). Several key changes were made to the Act as a result of that review, such as allowing one-director private companies, removing statutory audit for dormant companies¹ and exempt private companies² with annual turnover less than S\$5million, and abolishing the concept of par value shares and authorized share capital.

STEERING COMMITTEE REPORT

3. In October 2007, the Ministry of Finance (MOF) appointed a Steering Committee to Review the Companies Act (“Steering Committee”) to undertake a comprehensive review of the Act. Refer to *Annex A* for the list of Steering Committee members. The objectives of the review were to reduce regulatory burden and ease compliance, while retaining an efficient and transparent corporate regulatory framework that supports Singapore’s growth as a global hub for both businesses and investors.

4. The Steering Committee canvassed views from a wide range of local stakeholders, including business community, lawyers, accountants and academia. The Steering Committee also considered the law and practices in jurisdictions such as Australia, Hong Kong, New Zealand, United Kingdom and United States of America. The Steering Committee submitted its final report to MOF in April 2011, which comprised 217 recommendations relating to directors, shareholder rights, capital maintenance, accounts, company administration and charges³.

¹ A dormant company refers to a company with no significant accounting transactions during a financial year.

² An exempt private company is

(a) a private company with no corporate shareholders and not more than 20 shareholders; or

(b) any private company that is wholly owned by the Government, which the Minister, in the national interest, declares by notification in the Gazette

³ The Steering Committee’s report can be found at

<http://app.mof.gov.sg/data/cmsresource/public%20consultation/2011/Review%20of%20Companies%20Act%20and%20Foreign%20Entities%20Act/Anx%20A%20SC%20Report%20Complete.pdf>.

RESPONSE TO STEERING COMMITTEE REPORT

5. To reach out to a broader spectrum of stakeholders beyond those consulted by the Steering Committee, MOF conducted a public consultation on the *Report of the Steering Committee* from June to October 2011⁴. At the close of the public consultation, MOF received substantive comments from 70 respondents. Refer to *Annex B* for the list of respondents.

6. MOF evaluated all relevant inputs for each of the 217 recommendations. In doing so, we have adopted a principled, yet pragmatic approach, with a view to balancing the interests of various stakeholders while not losing sight of the objectives of the review. We have decided to **accept 192 recommendations and modify 17. Eight of the 217 recommendations have not been accepted at this point.** This report sets out a summary of the feedback received during the public consultation and MOF's response to the recommendations submitted by the Steering Committee.

7. Besides the detailed recommendations on changes to the Act, the Steering Committee had recommended rewriting the Act to rationalise the various provisions for greater coherence. MOF agrees with the Steering Committee that it is timely to rewrite the Act given the various amendments that have been made over the years. To allow the business community and practitioners sufficient time to adapt to the changes in the Act, **MOF will implement the changes and rewrite of the Act in two phases.** In the first phase, MOF will amend the Act to implement the Steering Committee's recommendations which have been accepted by the Ministry. After the changes have been implemented, in the second phase, MOF will undertake a rewrite of the Act to rationalise the provisions and improve the clarity.

8. The Steering Committee had also recommended that as part of the rewrite of the Act, provisions relating to foreign companies could be migrated to a separate dedicated legislation. MOF shares the view of the Steering Committee that it would be helpful to have a consolidated source of reference on the provisions relating to foreign companies. As the existing provisions on foreign companies can already be found in a dedicated part of the Act; namely Part XI Division 2 of the Act, MOF is of the view that there is no compelling need for a separate legislation for foreign companies. MOF will thus **retain the provisions relating to foreign companies in the Act.**

9. MOF would like to thank the Steering Committee for its recommendations and the respondents that had provided valuable feedback on these recommendations through the public consultation.

⁴ The link to the public consultation can be found at http://app.mof.gov.sg/pc_coact_2011.aspx.

NEXT STEPS

10. MOF plans to table the amendment Bill in Parliament to implement the changes by end of 2013. MOF will seek public feedback on the draft Bill in early 2013.