

**KEYNOTE ADDRESS BY MR ONG KHIAW HONG, CHIEF EXECUTIVE,  
ACCOUNTING AND CORPORATE REGULATORY AUTHORITY ON 19  
JULY 2019, 9.10AM AT THE 4<sup>TH</sup> CORPORATE SERVICE PROVIDERS  
CONFERENCE HELD AT RITZ-CARLTON HOTEL**

Mr Nathaniel, Chairman, Chartered Secretaries Institute of Singapore,

Distinguished guests,

Ladies and gentlemen,

Good morning. I am happy to join you at the fourth annual conference for Corporate Service Providers.

2 The theme for this year, “CSPs in the Smart Nation” is timely in light of the recent calls for businesses to integrate new technology into the way they work to stay relevant in the digital economy. Given the mounting global concerns over money laundering and terrorism financing, today’s conference also provides a good opportunity for us to discuss about the developments in this area.

3 Singapore is rated as the most competitive economy in the world in the 2019 IMD World Competitiveness Rankings survey. To stay competitive, it is important that Singapore remains an attractive, vibrant and efficient business hub. However, the technology landscape is changing and will continue to disrupt business models of SMEs and MNCs alike. To stay in the game, CSPs must tap on technology to help improve efficiency, create better customer experience and bring greater value to your clients.

## **Adopt Digital Technologies To Boost Productivity**

4 The CSP sector plays a key role in facilitating the setting up of businesses and ensuring compliance with the laws. In 2017, there were about 2,300 Registered Filing Agents (RFAs) and 2,600 Registered Qualified Individuals (RQIs) registered with ACRA. By end of March 2019, the number has increased to about 2,600 and 3,100 respectively – about 16% growth in just over 2 years. Each year, about 1 million filing transactions, including incorporation of companies, are made on BizFile+, ACRA’s registry portal. 60% of these are made by RFAs and RQIs.

5 To facilitate voluntary compliance with filing obligations, we have reduced filing requirements and simplified the filing process over the years. In the coming years, we will accelerate adoption of digital solutions to make filing even simpler and hassle-free for businesses and RFAs.

6 In July last year, the Association of Small and Medium Enterprises (ASME) with the support of Enterprise Singapore, ACRA and IRAS, developed the SME Cloud Exchange Network (SMECEN) software for SMEs. One unique feature of SMECEN is the compliance module that makes it easier to file returns to ACRA and IRAS. To illustrate, by using SMECEN, you will no longer need to manually extract accounting data, and import them into other software tools to generate XBRL financial statements to file to ACRA. This raises productivity for businesses. To-date, more than 400 SMEs have signed up for the SMECEN software.

7 Come next year, you can look forward to an even more straightforward filing process. You no longer need to log on to ACRA’s BizFile+ or IRAS’s tax portal to file the returns. There will be Application Programming Interfaces (or APIs) that allow you to file directly from the SMECEN software or 4 other

software applications. This will free up time for you to work on other higher value-added activities and move up the value chain.

8 We have recently expanded the range of one-stop services on BizFile+, to include a slew of digital solutions provided by the IMDA Start Digital Programme. These solutions cover accounting, human resource, digital marketing, digital transactions and cyber security. RFAs can now provide value-adding advisory service to assist their clients with selecting the solutions that best meet their needs. These solutions are provided by industry partners with proven track records in providing business support services to help SMEs digitalise. I strongly encourage you to ride on the various programmes, to speed up the pace of transformation in the CSP sector.

### **Uphold Standards of Professionalism**

9 RFAs have a significant role to play in upholding high standards of corporate governance. For RFAs who are also acting as locally resident directors or nominees, you owe no less fiduciary duties than ordinary directors.

10 Earlier this year, some of you, who are also locally resident directors or company secretaries, would have received an email from our Enforcement Department about the actions taken against errant directors who breached the Companies Act. One of the errant directors, who is also an RFA, was convicted of 116 charges of not holding AGMs and not filing Annual Returns (ARs), and received a court fine of over \$113,000. He was disqualified from acting as company director and taking part in the

management of any local or foreign company for five years. He was one of many directors who were disqualified.

11 The majority of RFAs take their statutory obligations seriously and discharge their duties in a professional manner. For those who want to comply with the laws but may be ignorant or do not know how to, we will help them get it right. However, for the small number who deliberately choose to not comply or even defraud the system, we will not hesitate to use the full force of the laws to mete out the most severe punishment against them. They have done a disservice to the CSP profession, and should be weeded out of the system.

### **Strengthen Resilience Against ML/FT**

12 As I mentioned, key aspect of Singapore's competitiveness is the strong reputation we have built as a trusted international financial and business centre. This is underpinned in part by a robust regulatory framework against money laundering and terrorism financing (ML/TF). RFAs provide service to a significant proportion of corporate clients and thus serve as the first line of defence in the fight against such illicit activities. Faced with the challenges posed by the growing complexity and cross-border nature of ML/TF activities, the sector must continue to stay vigilant and adopt measures to strengthen the resilience against such risks.

13 At the Conference last year, I announced that RFAs will be required to undergo mandatory training on AML/CFT risks and obligations, and pass a proficiency test administered by us, before they can renew or register as a Filing Agent. ACRA has worked with CSIS and the Institute of Singapore Chartered Accountants (ISCA) to develop the training programme, to help RFAs understand the AML/CFT risks and obligations.

14 I am happy to note that more than 2,700 individuals have since completed the training programme. Some 2,000 RFAs had gone on to take the AML/CFT proficiency test, and 82% had passed the test and had their registration renewed. These results are encouraging. They are evidence that the majority of RFAs understand their AML/CFT obligations and will continue to play a part in bolstering Singapore's defences against ML/TF.

15 To maintain professional standards and ensure compliance and effectiveness in performing AML/CFT duties, ACRA has been conducting compliance review and inspection on RFAs since 2015. In the 2018 compliance review, 78% of the RFAs obtained a "Compliant" rating compared to 75% in 2017. This shows that the majority of the CSP sector continues to remain vigilant in their gatekeeper duties in deterring such illicit activities.

16 We have also observed that more RFAs are tapping on technology to help them with the customer due diligence process. Some RFAs have subscribed to case management tools and software to screen and on-board their customers. They told us that this has translated into greater efficiency in their operations. In some instances, such software and tools can also assist RFAs in their on-going monitoring, by reminding RFAs when their customers' identification document is about to expire. I encourage more RFAs to embrace technology in their business operations.

17 Our compliance review has found that there is a small segment of the profession who have fallen short of their AML/CFT responsibilities. About 8% of those reviewed were found to be non-compliant with significant breaches detected. Some of the common breaches identified relate to failure to carry out adequate risks assessments on the RFAs' own business

operations as well as for their clients. There were also instances of lapses in verification of customer identities where the RFAs had failed to obtain updated identification documentation of their customers.

18 Such breaches, if left unchecked, would threaten the reputation of the CSP sector, and undermine efforts to protect Singapore's reputation as a clean and trusted financial centre. We take a serious view of such non-compliance and have taken prompt enforcement actions against the errant RFAs. We recently cancelled the registration of an RFA for egregious breaches of AML/CFT regulations, and penalised 18 RFAs for serious non-compliance, with penalties going as high as \$36,000.

19 There is no room for complacency in dealing with ML/TF threats. RFAs need to continue their training and capacity building in combating ML/TF, and be alert and responsive to emerging risks. Those serving as directors should monitor the business and financial activities of their companies and report any suspicious activities to the relevant authorities.

20 Later today, our ACRA colleagues will share more on the risk-based approach for trusts and company service providers in combating ML/TF, as announced by the Financial Action Task Force or FATF.

## **Business-Friendly Rules**

21 Let me now share with you on what ACRA is doing to facilitate a conducive business environment. We will be seeking public feedback on the proposed amendments to the Companies Act in the coming months. One of these is giving companies the flexibility to hold virtual meetings including

general meetings. We want to facilitate the use of digital tools in day-to-day business, to help companies reduce compliance costs.

22 We are also looking into streamlining the financial reporting requirements for companies. We welcome your views and feedback on these proposed changes.

## **Conclusion**

23 Mr Nathaniel has earlier announced plans to introduce a new Competence Framework and a new Code of Ethics and Professional Conduct for the CSP sector. I applaud CSIS for making this transformative shift to professionalise the CSP industry to ensure it continues to value-add to the eco-system. I urge all CSPs to embrace the change, upskill your competencies, and uphold high standards of professionalism.

24 I would like to take this opportunity to commend CSIS for its relentless efforts in developing the CSP sector. As a leading body for chartered secretaries in Singapore, CSIS has been forward-looking and has always been supportive of ACRA's initiatives. CSIS members also provide valuable and practical feedback on many registry and regulation topics, at our regular dialogues and other engagement channels. These have helped to ensure that our regulatory framework remains robust. CSIS has been a valuable partner to ACRA and we look forward to closer collaboration in the coming years.

On that note, I wish you all a fruitful and successful conference.

Thank you.