

SECOND READING OPENING SPEECH BY INDRANEE RAJAH, SECOND MINISTER FOR FINANCE ON THE CORPORATE AND ACCOUNTING LAWS (AMENDMENT) BILL

Mr Speaker, I move, "That the Bill be now read a second time."

Introduction

2. The Corporate and Accounting Laws (Amendment) Bill has five objectives:
 - a. First, to tighten rules against the misuse of companies for unlawful purposes;
 - b. Second, to safeguard shareholders' interests;
 - c. Third, to strengthen the regulatory framework for companies;
 - d. Fourth, to reduce regulatory burden for companies; and
 - e. Fifth, to enhance the regulatory regime for public accountants.
3. The amendments proposed in the Bill arose from ACRA's regular review of its regulatory functions to foster a trusted and vibrant business environment.
4. The Bill's key amendments relate to the following Acts:
 - a. The Companies Act 1967;
 - b. The Limited Liability Partnerships Act 2005 or LLP Act 2005; and
 - c. The Accountants Act 2004.

Let me now highlight the key amendments.

Key Amendment 1

5. The first set of amendments strengthen safeguards against the misuse of companies for unlawful purposes.
6. Under the Companies Act 1967, the Registrar of Companies may refuse registration of a company if it is likely to be used for an unlawful purpose or for purposes prejudicial to public peace, welfare or good order in Singapore; or if its registration contravenes national security or interests. I will refer to these conditions as "grounds for refusal" for short.
7. However, the law currently does not explicitly require the courts or the Registrar to deny applications for restoration of struck-off companies, foreign companies or limited liability partnerships based on the grounds for refusal.

8. While struck-off entities with the aforementioned risks are typically not restored, clauses 84, 86, 93, 117 and 119 of the Bill now expressly specify grounds for such refusal¹ in the Companies Act 1967 and LLP Act 2005 for avoidance of doubt. This aligns with the existing criteria for refusing company registrations under the Companies Act 1967, and for winding up a company under the Insolvency, Restructuring and Dissolution Act 2018.

Key Amendments 2

9. The second set of key amendments are aimed at safeguarding shareholders' interests.

10. Currently, a company may purchase its own shares through a selective off-market purchase, conducted outside of a securities exchange or not under an equal access scheme. This requires approval by a special resolution, with at least 75% of voting rights in favour, excluding the votes of the shareholders whose shares are being acquired.

11. However, in situations where a company has different classes of shares, this process may not sufficiently account for the interests of shareholders in the affected class who are not part of the selective off-market purchase.

12. To better safeguard shareholders' interests, clause 50 of the Bill introduces a two-tier approval process for selective off-market purchases.

- a. Tier 1 which is an existing provision in section 76D of the Companies Act 1967, requires the approval by all shareholders, regardless of class of shares, excluding the shareholders whose shares are being acquired.
- b. Tier 2, which is newly introduced under this Bill, requires the consent by the relevant shareholders within the affected class of shares, but excluding the shareholders whose shares are being acquired. This allows for shareholders within the affected class of shares to have a larger say in approving the selective off-market purchase.
- c. Both tiers require a 75% approval threshold.

13. To simplify implementation for the new "Tier 2" approval, companies can obtain written consent from affected shareholders, and do not need to convene a separate class meeting.

¹ Under clause 86 of the Bill, the "Registrar must not restore the name of the company to the register if the Registrar has reason to believe that —

- a. if its name is restored, the company is likely to be used for an unlawful purpose or for purposes prejudicial to public peace, welfare or good order in Singapore; or
- b. it would be contrary to national security or interest for its name to be restored."

Key Amendment 3

14. The third set of amendments strengthen the regulatory framework for companies.
15. Section 157 of the Companies Act 1967 requires a director to manage the company and act in its best interests, honestly and with reasonable diligence. A breach of the provision is an offence, and currently the penalty is a fine not exceeding \$5,000 or imprisonment for up to 12 months.
16. However, when compared to penalties for equivalent offences in other leading common law jurisdictions, we found that there was scope for an upward revision of the penalties.
17. Clause 58 of the Bill increases the maximum fine to \$20,000, or imprisonment for a term not exceeding 12 months, or both. This provides stronger penalties to deter potential offenders.

Key Amendment 4

18. The fourth set of key amendments reduce the regulatory burden on companies.
19. Since inception of the Companies Act in 1967, a company's registered office must be open to the public for at least three hours each business day. This was primarily intended to facilitate access to company records by any persons entitled to inspect them.
20. To reduce the regulatory burden on companies while maintaining the rights of those who need access to company records in the company's registered office, clauses 52, 89, 90, 99 of the Bill abolish the minimum opening hours requirement. Instead, the Bill provides that persons entitled to inspect any company record must give the company reasonable notice of their intent to do so. Upon being given such notice, companies must then make such records available for inspection for at least two hours during each of the relevant business days. This will give companies more flexibility to determine the operating hours of their registered offices.
21. For avoidance of doubt, the proposed amendment will not affect service of documents at the company's registered office. The Companies Act 1967 allows a document to be served on a company by leaving it at or sending it by registered post to the registered office of the company, without requiring the registered office to be physically open.

Key Amendment 5

22. The final set of amendments are intended to enhance the regulatory regime of public accountants.
23. Currently, audit reports are usually signed off by *accounting entities*, rather than the specific individual *public accountant* who performed the audit. The identity of the public

accountant primarily responsible for the audit engagement is not disclosed in the audit report itself, though this information is available in the register of auditors on ACRA's Bizfile.

24. To promote greater personal accountability for public accountants and transparency in the auditing profession, clause 32 of the Bill inserts a new section 59A to the Accountants Act 2004 to require the public accountant who is primarily responsible for an audit engagement to be identified in the audit report itself.

Other Provisions and Consequential Amendments

25. The other provisions in the Bill make technical, related and consequential amendments, including to the ACRA Act 2004, the Limited Partnerships Act 2008, the Variable Capital Companies Act 2018, Exchanges (Demutualisation and Merger) Act 1999, the Insolvency, Restructuring and Dissolution Act 2018 and the Securities and Futures Act 2001.

Conclusion

26. Mr Speaker, in conclusion, the proposed amendments in this Bill are part of our ongoing efforts to enhance our corporate governance and regulatory framework, reinforcing our position as an efficient and trusted business hub.