

CORPORATE SERVICE PROVIDERS ACT 2024 AND COMPANIES AND LIMITED LIABILITY PARTNERSHIPS (MISCELLANEOUS AMENDMENTS) ACT 2024

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Authors: Bill Jamieson, John Mark Chen

A. Introduction

The Ministry of Finance (“**MOF**”) and the Accounting and Corporate Regulatory Authority (“**ACRA**”) regularly review the effectiveness of Singapore’s anti-money laundering policies to ensure that its regime continues to stay relevant, amidst evolving threats and increasingly sophisticated crimes. The Corporate Service Providers Act 2024 (“**CSP Act**”) and the Companies and Limited Liability Partnerships (Miscellaneous Amendments) Act 2024 (“**CLLPMA Act**”), passed by Parliament on 2 July and having received the President’s assent on 31 July 2024, are part of the latest enhancements to the approach to anti-money laundering, countering the financing of terrorism and proliferation of weapons of mass destruction (“**AML/CFT/PF**”) in Singapore. The CSP Act and CLLPMA Act will come into operation on a date that the Minister appoints by notification in the *Gazette*.

This article provides an overview of the key amendments introduced by each of the Acts.

B. The CSP Act

Role of Corporate Service Providers (CSPs)

Corporate Service Providers (“**CSPs**”) are an important gatekeeper in preventing money-laundering activities from taking place. CSPs provide corporate secretarial services to a range of businesses to ensure that they comply with domestic regulatory requirements such as in the filing of annual returns or sourcing for people to act as directors for businesses.

CSPs also assist in incorporating companies for residents and non-residents alike, with non-residents being required to engage a CSP to incorporate a company. CSPs must conduct due diligence on their clients before incorporating a company regardless of whether they are residents or non-residents, but the penalties for the breach of obligations to prevent financial crime has been increased dramatically under the CSP Act.

The CSP Act deals with three areas namely:

1. Registration with ACRA as CSPs;
2. Fines for errant CSPs and senior management; and
3. Nominee directorship arrangements.

Registration with ACRA as CSPs

Existing position

Companies / business entities that do not file transactions with ACRA are not required to be registered as registered filing agents (RFAs) and consequently are not subject to AML/CFT/PF obligations.

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The amendment and implications

The CSP Act introduces the requirement that all entities carrying on a business providing corporate services must register with ACRA as a CSP ([Section 7](#)). This includes Singapore-based entities who do not transact with ACRA, such as CSPs who exclusively provide their services to clients based overseas, who were previously not required to be registered with ACRA. The obligation to register will also be extended to include entities that, in relation to their provision of accounting services, carry out specific services defined by the Financial Action Task Force (“**FATF**”).

The CSP Act ([Section 2](#)) defines corporate services as the following services:

- (a) forming, on behalf of another person, a corporation or other legal person;
- (b) acting, or arranging for another person to act:
 - i. as a director or secretary of a corporation;
 - ii. as a partner of a partnership; or
 - iii. in a similar capacity in relation to other legal persons;
- (c) providing a registered office, business address, correspondence or administrative address or other related services for a corporation, partnership or other legal person;
- (d) acting, or arranging for another person to act, as a nominee shareholder on behalf of any corporation, other than a corporation whose securities are listed on an approved exchange within the meaning of Section 2(1) of the Securities and Futures Act 2001;
- (e) carrying out any designated activity in relation to the provision of any accounting service; and
- (f) carrying out an ACRA transaction with the ACRA Registrar using the electronic transaction system:
 - i. on behalf of another person; or
 - ii. for one or more companies as a secretary of each of those companies.

In relation to point (e), a designated activity is defined as the preparation to carry out or the carrying out of transactions for a customer concerning any of the following activities:

- (a) buying or selling of real estate;
- (b) management of client money, securities or other assets;
- (c) management of bank, savings or securities accounts;
- (d) organisation of contributions for the creation, operation or management of corporations; and
- (e) creation, operation or management of legal persons or legal arrangements, or buying and selling of business entities.

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Importantly, a business entity carrying on a designated activity as defined in the CSP Act has to register as a CSP only if it is done in relation to the provision of accounting services. This means that a business carrying out stand-alone accounting services work does not have to register as a CSP. More illustrative examples and guidelines for the terms “designated activities” and “accounting services” will be provided by ACRA in the near future.

The widened coverage of ACRA’s regulatory regime will ensure that all entities providing corporate services from Singapore, regardless of whether they serve local or foreign clients, have the same obligations in the fight against financial crime.

CSPs who fail to register with ACRA under the new regime will be guilty of an offence and shall be liable on conviction to a fine not exceeding \$50,000 or to an imprisonment term not exceeding two (2) years, or both (Section 7(4)). In the case of a continuing offence, a further fine not exceeding \$2,500 shall be imposed for every day or part of a day during which the offence continues after conviction (Section 7(4)).

Fines for errant CSPs and senior management

Existing position

Presently, ACRA imposes sanctions on CSPs and their registered qualified individuals for non-compliance with ACRA’s regulations. These include financial penalties of up to \$25,000 per breach, or in egregious scenarios, the suspension or cancellation of their registration. Since 2021, ACRA has taken an increasingly strict stance over CSPs and registered qualified individuals found to be non-compliant.

The amendment and implications

The CSP Act tightens regulations for breaches of obligations to combat financial crime according to the following amendments:

- (a) Increased sanctions for non-compliance by CSPs of their AML/CFT/PF obligations from the existing financial penalty of \$25,000 to a fine of \$100,000. In more egregious situations, the CSP could be suspended or see their registration cancelled from ACRA.
- (b) The senior management of CSPs can in certain circumstances be held liable for such breaches, for example if they knew or ought reasonably to have known that the offence would be or is being committed but failed to take all reasonable steps to prevent or stop the commission of that offence. Upon conviction, they can likewise be fined up to \$100,000.

The maximum fines above are intended to be commensurate with the risks of money laundering, the financing of proliferation of weapons of mass destruction and terrorism financing in Singapore. The new penalties are also consistent with those for other designated non-financial businesses and professionals in Singapore.

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Nominee directorship arrangements

Existing position

Nominee directorship arrangements have been misused in creating shell companies to facilitate money laundering, owing mostly to CSPs who arrange for unqualified individuals to act as nominee directors for their customers.

The amendment and implications

Under the CSP Act, a person must not by way of business, act as a nominee director of a company, unless the appointment of the person as a nominee director of the company is arranged by a registered CSP. A person who breaches this requirement is guilty of an offence and shall be liable on conviction to a fine not exceeding \$10,000.

Furthermore, registered CSPs 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 (Section 16). In determining whether the person is a fit and proper person, the registered CSP must take reasonable steps to satisfy himself that the person is not disqualified from acting as a director of a company under any written law, and consider other factors to be prescribed, such as:

- (a) satisfactory conduct and compliance history;
- (b) sufficient competency, capacity and capability to properly discharge his/her duties as a director;
- and
- (c) commercial integrity.

CSPs must also update their internal policies to incorporate procedures for determining if an individual is fit and proper to act as a nominee director. A registered CSP which breaches this requirement is guilty of an offence and shall be liable on conviction to a fine not exceeding \$100,000.

These amendments aim to prevent the abuse of nominee directorship arrangements.

C. The CLLPMA Act

The CLLPMA Act makes amendments to both the Companies Act 1967 and the Limited Liability Partnerships Act 2005. Two key amendments are as follows.

Enhancements to the Register of Registrable Controllers

The first amendment relates to the Register of Registrable Controllers (“**RORC**”). A person is a Registrable Controller (“**RC**”) if they:

- (a) have an interest in more than 25% of shares in a company; or

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- (b) hold more than 25% of members' voting rights in a company; or
- (c) can exercise significant influence over a company or LLP.

The amendment makes three enhancements to the RORC:

- (a) The maximum penalties for companies and LLPs that commit offences relating to their registers are increased from \$5,000 to \$25,000. These offences include failing to maintain their registers, keep the information up-to-date or correct inaccurate information.
- (b) It is an offence for persons to provide false or misleading information about their registers to ACRA, with a fine of up to \$25,000. This will apply to persons who did not act with reasonable due diligence in ensuring the accuracy of the information that they provide to ACRA.
- (c) It is a requirement for companies and LLPs to verify and update their controllers' information on an annual basis.

Nominee status

Existing position

Individuals who are nominee directors or shareholders are required by law to disclose their particulars and nominee status to their companies, but there is no requirement for them or their companies to share this information with ACRA.

The amendment and implications

The second key amendment introduced by the CLLPMA Act is the requirement for companies to provide the full arrangement of their nominee directorships to ACRA, such as the particulars of the nominee directors and shareholders, as well as the nominator who nominated the director. The latter information will be available only to ACRA and other public agencies for public enforcement, but the former information will be made public. In other words, the nominator's identity will not be public, but the nominee director will be made public.

The purpose of this amendment is that the information will be useful to banks, CSPs and other gatekeepers who may, for instance, wish to conduct additional checks on companies with many nominee directors or shareholders. It will also ensure Singapore's continued compliance with the FATF's update of its standards on beneficial ownership in March 2022, in which nominee directors and nominee shareholders are required to disclose the identity of their nominators to the Registrar, and to publicly disclose their nominee status.

D. Conclusion

The CSP Act and CLLPMA Act mark an important step in Singapore's fight against money laundering and other illicit financial activities. The obligations placed on CSPs will ensure that illicit activities can be

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gatekept and stopped in time and that nominee directorships are not taken advantage of. Greater transparency over the identity of nominee directors and their nominators will also ensure that quick and effective action can be taken by public agencies in the event illicit activities are found to be taking place.

Should you require any further information, please do not hesitate to contact John Mark Chen:

Tel: +65 6349 8727

E-mail: jmchen@cnplaw.com

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