

THE SINGAPORE FREEPORT

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Authors: Quek Li Fei, Simon Trevethick and Paul Yap

Introduction

The Singapore Freeport, opened near Changi Airport in May 2010, offers wealthy collectors and businesses a secure storage facility and trading forum for their valuable collectibles such as precious metals, antiques, fine art, vintage cars, wines, cigars, diamonds and jewellery.

The Singapore Freeport is supported by the Economic Development Board, the Singapore Customs, supervised by the Singapore Police and the Civil Aviation Authority of Singapore and is closely studied and monitored by the Monetary Authority of Singapore (the “MAS”), the Ministry of Home Affairs and the Ministry of Finance for potential money laundering and terrorist financing activities. The facility and the operations are managed by Freeport Management Pte. Ltd. Renowned logistics companies and institutions (e.g., Christie’s, Malca-Amit) operate within the facility.

Services Offered by the Singapore Freeport

Some of the services offered by the Singapore Freeport include transporting collectibles that are flown into Changi Airport to the Singapore Freeport securely via internal airport roads only (i.e., without using public roads); secure state-of-the art design storage facilities equipped with energy-saving features that maintain the precise environmental conditions needed to store certain collectibles such as artefacts and fine art; secure access to private viewing rooms and exhibitions spaces, accessible by appointment only; and fully-equipped offices for collectors who wish to conduct business in a secure and discrete environment.

Renowned logistics companies and institutions such as Christie's Fine Art Storage Services, Fine Art Logistics, Malca-Amit Singapore and Stamford Cellars amongst others, operate within the Singapore Freeport to provide, inter alia, shipping services, storage services, display and trading services.

Legal Issues arising from use of the Singapore Freeport

The Singapore Freeport raises several attendant legal issues that the individual collector and businesses should consider.

Legal recourse for damaged or stolen collectibles

The Singapore Freeport implements stringent security provisions including electronic monitoring of staff, clients and valuables, and deploys armed guards around the facility. It also maintains a controlled temperature and humidity for the conservation of certain collectibles. Should you decide to entrust your collectibles to the Singapore Freeport, and you find your collectibles damaged (e.g., due to unfavourable

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temperature or humidity conditions, or any lapses) or are unaccounted for, there may be a cause of action for a breach of contract or negligence (depending on the facts and legal scenario) against the operator, logistic companies and/or relevant institutions that operate within the Singapore Freeport.

Money laundering and terrorist financing

The Singapore government conducted the National Risk Assessment ("NRA") in 2013 (report issued on 10 January 2014) to enhance and deepen the government's collective understanding of money laundering and terrorist financing in Singapore. In conducting the NRA, the Steering Committee comprising the Ministry of Home Affairs, the Ministry of Finance and the MAS, took reference from the Guidance on National Money Laundering and Terrorist Financing Risk Assessment published by the Financial Action Task Force (of which Singapore is a member) in February 2013 as well as other international best practices standards.

In the course of conducting risk assessment in Singapore, the NRA identified a number of areas for further study, including the precious stones and metals dealers sector and the Singapore Freeport. The Steering Committee will be scrutinising and studying these areas to further and better understand the relevant money laundering and terrorist financing typologies and international best practices for addressing these emerging risks, and to determine whether any safeguards and mitigating measures are needed.

Security and Licence to operate

Singapore Freeport's licensees are assessed by the Singapore Customs every one, two or three years depending on the licensee's compliance or risk rating under the TradeFIRST framework (Trade Facilitation & Integrated Risk-based SysTem, an integrated assessment framework that provides a holistic assessment of a company to support Singapore Customs in its trade facilitation and compliance efforts), based on a range of criteria including inventory management and security measures.

Eligibility for the licensees to operate as a service provider at the Singapore Freeport depends on a strict myriad of factors, including controls over physical movement of the collectibles, people and vehicles entering or exiting the Singapore Freeport. The licensees are also required to put in place a robust inventory system to track the movement of the collectibles, and to keep records of all supporting documents for at least five years.

The Singapore Customs has the power to enter all the locations within the Singapore Freeport to conduct checks and perform investigations. The licensees are also subject to Singapore anti-money laundering and countering of financing of terrorism laws and regulations such as the Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act (Cap. 65A) to combat money laundering and the Terrorism (Suppression of Financing) Act (Cap. 325) which criminalises terrorism financing and imposes a duty on everyone to provide information pertaining to the terrorism financing to the Suspicious Transaction Reporting Officer. These requirements are to ensure that the service providers maintain the highest standard or internal processes and standard operating procedures.

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Tax implications

Collectors trading their collectibles at the Singapore Freeport enjoy the benefits of being within Singapore's customs territory. Collectibles stored at the Singapore Freeport do not attract import duties or taxes so long as they remain within the premises of the Singapore Freeport. Collectors may also temporarily move some of their stored fine art for exhibitions in Singapore's city museums without having to pay import duties or taxes for leaving the Singapore Freeport.

Conclusion

As more high net worth individuals and corporates choose to invest their money in high-value collectibles like art, jewellery, fine wine and, antiques, the Singapore Freeport becomes more attractive by offering a secure environment and regulated facility to store and trade their collectibles in a convenient location and on a tax-free basis. In doing so, legal issues such as the risks of money laundering and terrorist financing, security and taxation come to the fore. The legislative and supervisory framework for this sector will be strengthened to address any emerging risks more effectively so as to boost Singapore's position as a storage and trading platform, and to promote Singapore as an art hub.

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