

## KEY CLAUSES IN THE DRAFT CORPORATE SERVICE PROVIDERS BILL

S/N	Clause	Current requirement	Proposed amendment	Reason for amendment
1.	Clause 7	Companies and other business entities are required to register with ACRA as registered filing agents (“RFAs”) if they wish to file transactions with ACRA on behalf of their customers. RFAs are required to comply with requirements for detecting and preventing money laundering and terrorism financing.	<p>To require companies and other business entities that carry on a business in Singapore of providing any corporate service<sup>1</sup> to be registered as registered corporate service providers (“CSPs”), even if they do not file transactions on behalf of their customers with ACRA. Registered CSPs will be required to comply with the requirements for detecting and preventing money laundering, the financing of proliferation of weapons of mass destruction and terrorism financing (“AML/ CFT/ PF requirements”).</p> <p>A person who breaches the requirement to be registered as a registered CSP is guilty of an offence and shall be liable on conviction to a fine not exceeding \$50,000 or to imprisonment for a term not exceeding 2 years or to both and, in the case of a continuing offence, to a further fine not exceeding \$2,500 for every day or part of a day during which the offence continues after conviction.</p>	<p>Currently, companies and other business entities that do not file transactions with ACRA on behalf of their customers are not required to be registered as RFAs. Consequently, they are not subject to AML/ CFT/ PF requirements.</p> <p>This is a regulatory gap that ACRA will seek to address, as customers may engage CSPs that are not RFAs to facilitate illicit activities. For example, during the Paradise and Panama Papers leaks, the media had reported that two CSPs were responsible for incorporating shell companies for their customers in overseas jurisdictions.</p> <p>Therefore, the proposed amendment will enhance the regulatory regime for all CSPs, level the playing field for all CSPs carrying on business in Singapore and enable ACRA to take enforcement action against registered CSPs that breach AML/</p>

<sup>1</sup> These corporate services include forming corporations on behalf of other persons; acting or arranging for other persons to act as directors or nominee shareholders; providing registered office or business addresses; carrying out designated activities in relation to the provision of accounting services; and carrying out transactions with ACRA on behalf of other persons or as secretaries of a company by way of business.

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			<p><b>Notes:</b></p> <ul style="list-style-type: none"> <li>• The term “filing agent” in the ACRA Act 2004 will no longer be used and will be replaced by the term “corporate service provider”. If a person was an RFA before the commencement date of the Bill, then the person is treated as a registered CSP who is subject to the same terms and conditions of registration until the expiry of his registration.</li> <li>• Companies and other business entities that file transactions with ACRA on behalf of their customers are required to be registered as CSPs.</li> <li>• A CSP is required to appoint at least one registered qualified individual (“RQI”)<sup>2</sup> in order to be registered as a CSP, and a qualified individual who wishes to be an RQI must be registered as such. If a person was an RQI before the commencement date of the Bill, then the person is treated as an RQI who is subject to the same</li> </ul>	CFT/ PF requirements.

<sup>2</sup> An RQI is a qualified individual (i.e. lawyer, public accountant or a member of a professional association) registered under the Bill.

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			terms and conditions of registration until the expiry of his registration.	
2.	Clauses 3 and 7	ACRA has powers to take enforcement action against accounting entities <sup>3</sup> that breach requirements for detecting and preventing money laundering and terrorism financing. However, ACRA does not have such powers in relation to other accounting service providers that carry out designated activities that pose money laundering and terrorism financing risks.	<p>To also require companies and other business entities that carry on a business in Singapore of carrying out any designated activity in relation to the provision of any accounting service to be registered as CSPs. They will be subject to an offence if they fail to register, and they will also be required to comply with AML/ CFT/ PF requirements.</p> <p><b>Notes:</b></p> <ul style="list-style-type: none"> <li>• “Designated activity” means the preparation to carry out or the carrying out of transactions for a customer concerning any of the following activities: <ul style="list-style-type: none"> <li>(a) buying or selling of real estate;</li> <li>(b) managing of client money, securities or other assets;</li> <li>(c) management of bank, savings or securities accounts;</li> </ul> </li> </ul>	The proposed amendment will ensure that accountants who, as a business, carry out designated activities in relation to the provision of accounting services are required to be registered as registered CSPs and to be subject to AML/ CFT/ PF requirements.

<sup>3</sup> An “accounting entity” means a public accountant who is the sole proprietor of a business providing public accountancy services, an accounting corporation, an accounting firm or an accounting limited liability partnership approved under the Accountants Act 2004.

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			<p>(d) organisation of contributions for the creation, operation or management of corporations;</p> <p>(e) creation, operation or management of legal persons or legal arrangements, or buying and selling of business entities.</p> <ul style="list-style-type: none"> <li>• An accounting entity that carries on a business in Singapore of the corporate service of carrying out any designated activity in relation to the provision of any accounting service is treated as a registered corporate service provider (“deemed registered CSP”).</li> <li>• A deemed registered CSP will similarly be required to appoint at least one RQI and notify ACRA of this appointment. Should a deemed registered CSP fail to do so, all key appointment holders of the deemed registered CSP, who are public accountants, will be treated as RQIs.</li> </ul>	
3.	Clauses 16, 17, 29 and 30	Regulatory sanctions, including a maximum financial penalty of \$25,000 for each breach of	To impose criminal liability on registered CSPs and their senior management for breaches of AML/ CFT/ PF requirements.	The proposed amendments will ensure that the maximum fines for breaches of AML/ CFT/ PF requirements by registered

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		<p>requirements for detecting and preventing money laundering and terrorism financing, may be imposed on RFAs.</p> <p>The senior management of RFAs is not subject to these regulatory sanctions for breaches committed by their RFAs.</p>	<p>A registered CSP who breaches the AML/ CFT/ PF requirements is guilty of an offence and shall be liable on conviction to a fine not exceeding \$100,000 for each breach.</p> <p>The senior management of a registered CSP who fails to ensure that the registered CSP complies with its AML/ CFT/ PF requirements is also guilty of an offence and liable on conviction to a fine not exceeding \$100,000 for each breach.</p>	<p>CSPs and their senior management are commensurate with the risks of money laundering, the financing of proliferation of weapons of mass destruction and terrorism financing in Singapore. In addition, the proposed penalties are consistent with those for other designated non-financial businesses and professionals in Singapore.</p>
4.	Clauses 16 and 37	<p>There are currently no requirements for RFAs to ensure that the individuals they arrange to act as nominee directors for their customers are fit and proper.</p>	<p>A registered CSP 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. In determining whether the person is fit and proper, 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 prescribed in subsidiary legislation. A registered CSP who breaches this requirement is guilty of an offence and shall be liable on conviction to a fine not exceeding \$100,000 for each breach.</p>	<p>The proposed amendment aims to prevent the misuse of nominee directorship arrangements in creating shell companies to facilitate money laundering. This situation is observed to be largely created by CSPs who arrange for unqualified individuals to act as nominee directors for their customers.</p>

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			<p>In addition to the above, a person must not, by way of business, act as a nominee director of a company unless his acting 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, and in the case of a continuing offence, to a further fine not exceeding \$1,000 for every day or part of a day during which the offence continues after conviction, for each breach.</p> <p><b>Notes:</b></p> <ul style="list-style-type: none"> <li>• The requirements do not apply to a person when acting as a nominee director of an affiliated company of the person, i.e. <ul style="list-style-type: none"> <li>(a) a company that employs the person; or</li> <li>(b) a company that is related to a corporation that employs the person.</li> </ul> </li> <li>• “Nominee director” means a director who is accustomed or under an obligation, whether formal or informal,</li> </ul>	

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			to act in accordance with the directions, instructions or wishes of any other person.	
5.	Clause 17	There is currently no requirement for RFAs to comply with requirements for detecting and preventing the financing of proliferation of weapons of mass destruction.	To require registered CSPs to comply with requirements for detecting and preventing the financing of proliferation of weapons of mass destruction, in addition to requirements for detecting and preventing money laundering and terrorism financing. These requirements will be prescribed in subsidiary legislation.	The proposed amendment will ensure consistency with the FATF Recommendations relating to the detection and prevention of money laundering, the financing of proliferation of weapons of mass destruction and terrorism financing, and that registered CSPs comply with the requirements of the United Nations Act 2001.