

Feedback on Key Clauses of Singapore Companies Amendment Bill (December 27, 2016)

Submission to Ministry of Finance

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Centre for Budget and Governance
Accountability
(www.cbgaindia.org)

Subject: 'Feedback on Consultation Question 3 on the Fifteenth Schedule, Companies Act'

Context

With reference to public feedback invited towards Singapore's Companies Act, we would like to provide feedback on **Consultation Question 3 on the Fifteenth Schedule**, which **seeks comments on whether the proposed definitions on "significant control" and "significant interest" are appropriate and sufficient**, as follows:

1. The definition of **Significant Control** needs to include persons who:
 - a. Hold, directly or indirectly (i.e. via another company), more than 25% of the voting rights in the company.
 - b. Hold the right, directly or indirectly (i.e. via another company), to appoint or remove a majority of the board of directors of the company.
 - c. Hold the right to exercise, or actually exercise, significant influence and control over the company.

2. The definition of **Significant Interest** needs to take the following into account:

The threshold of ownership of 25% shares in a company for identifying a person with significant interest is vulnerable to abuse. An individual wishing to remain anonymous would only need to appoint three individuals to represent themselves as persons with significant interest in a company to dilute their stated ownership interest to less than 25%. The threshold to be identified as a person with significant interest should therefore be lowered to ownership of 5% shares in a company. In many EU countries as well as the USA, ownership threshold of 5% in listed companies requires reporting.

Further, the identification of persons with significant interest in a company should go beyond shareholding, as it is very common to appoint representatives, nominees, proxies or agents to represent the person with significant interest. These are persons in charge of a company only on paper and not in practice, therefore making it crucial to go beyond shareholder ownership when defining persons with significant interest.

In case of no clear identification of persons with significant interest through shareholding, the person holding the position of senior managing official should be identified as the person with significant interest.¹

We would be glad to provide further information on these issues.

(For further information on these issues, please contact us at neeti@cbgaindia.org).

¹ European Union. Fourth Anti-Money Laundering Directive. Article 3 [6 (a) (ii)].