

Update on Corporate Governance Reforms in Singapore

Corporate Governance Roundtable 2017

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AGENDA

1

Enhancing
Corporate
Reporting

2

Enhancing
Financial
Reporting

3

Protecting
Investors

4

Promoting
Internal
Controls
& Good
Governance



1 – Enhancing Corporate Reporting

Timeliness

Annual Returns & Financial Statements

15% of companies fail to comply with S197 (filing Annual Returns)

Prosecution by court is resource-intensive



3E's Approach

- Educate
- Enforce
- Eradicate



Improvement in compliance rating from 83% to 87%

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1 – Enhancing Corporate Reporting

Certainty

Electronic Register of Members (eROM)

Companies previously kept their own register of members



Currently ACRA's eROM is definitive



Reduces administrative workload



Improves public accessibility

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1 – Enhancing Corporate Reporting

Transparency

Beneficial Ownership

Beneficial ownership previously collected by intermediaries, not companies



Companies to maintain registers of beneficial owners (controllers)



Make the ownership and control of business entities more transparent

1 – Enhancing Corporate Reporting

Accuracy

Enterprise Data Hub

Data previously shared via specific arrangements between agencies



One source of truth

Consolidates corporate info across government agencies e.g. MOM, CPF

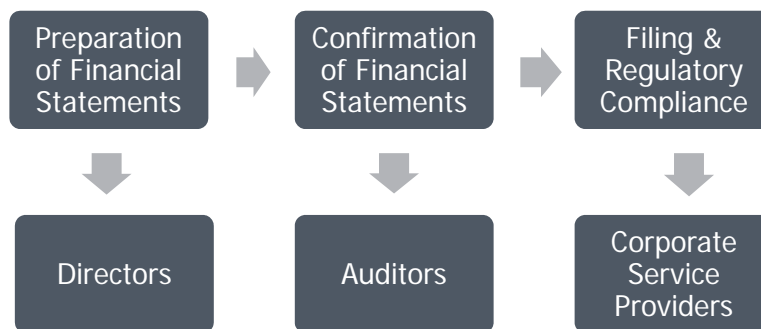


Improves cross-agency coordination

Ensure unified approach in accordance with all known data

2 – Enhancing Financial Reporting

The Financial Reporting Eco-System



2 – Enhancing Financial Reporting

Corporate Service Providers



- Fully regulated from May 2015
- Duties (e.g. AML/CFT-related) imposed by law
- Detailed practice Guidelines published



- 800 compliance reviews and inspections completed by Mar 2017
- Target to complete 1,400 out of 2,700 CSPs by Mar 2018

2 – Enhancing Financial Reporting

Directors

Financial Reporting Surveillance Programme (FRSP)

- Now, financial statements with clean audit reports also reviewed for compliance with accounting standards
- Directors are held accountable for such compliance under Companies Act



2 review cycles
over 2014 – 2016

- 99 FS reviewed
- 7 warnings, 52 advisories, 19 closures, 2 ongoing



Powers to compel
restatements from 2Q2017

- Only in egregious cases:
- Apply sanction on directors
 - Apply to court to order restatements

2 – Enhancing Financial Reporting

Directors

Singapore Exchange's (SGX) 'public reprimands'

- Issued to companies who fail to sufficiently disclose as required under Listing Rules
- Ensure balanced and fair announcements are made
- Uphold a well-functioning market which has the confidence of market participants

Examples of instances for which public reprimands were issued:

a

Failure to make immediate announcements or seek shareholders' approval

b

Failure to provide investors with sufficient information on impact of project

c

Presentation of most optimistic scenario of a fair value without sufficient explanation

2 – Enhancing Financial Reporting

Auditors

Practice Monitoring Programme (PMP)



More **targeted** and **risk-based** approach offers more effective inspection coverage



Publicising inspection outcomes for repeat offenders

Audit Quality Indicators (AQIs)



8 indicators to help Audit Committees select auditors based on audit quality measures



6 targets set in 2016 to provide basis for comparison



3 – Protecting Investors

Encourage Audit Committees (ACs) to comment on key audit matters

Investors surveyed¹ expressed overwhelming desire for ACs to comment on key audit matters



ACRA, MAS and SGX issued letters in Jan 2017 to encourage ACs to do so



¹ Refers to investor perception survey jointly conducted by ACRA, ISCA and NUS Business School

3 – Protecting Investors

Securities Investors Association Singapore's (SIAS) 3 questions at AGMs

For 200 listed companies, SIAS will analyse their annual reports and propose relevant questions

Aid shareholders in posing the right questions and be appropriately updated on company matters

1

Strategy

2

Financials

3

Corporate
Governance

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4 – Promoting Internal Controls & Good Governance

Corporate Governance (CG) Code under MAS² and SGX

- Comprehensively revised in 2012

Notable improvements:

Board Composition

Prescribed circumstances under which at least ½ of directors have to be independent

Assurance from CEO and CFO

Effectiveness (and not just adequacy) of company's risk management and internal control systems

- Revision exercise commencing 2017

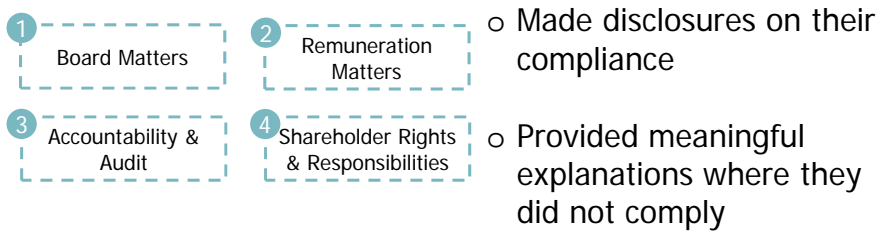
² Monetary Authority of Singapore

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4 – Promoting Internal Controls & Good Governance

Corporate Governance (CG) Code under MAS and SGX

- SGX's 'comply-or-explain' approach commits companies to comply or explain why they are not doing so
- Review of CG disclosures³ revealed that more than half of companies surveyed scored well across 4 pillars of CG Code



³ Commissioned by SGX and conducted by KPMG on 545 mainboard companies



4 – Promoting Internal Controls & Good Governance

Independent regulation of companies by SGX

- Currently, regulatory and business functions are combined under SGX



Adapted from the Asian Corporate Governance Association's 2016 Corporate Governance Watch report



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