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Corporate Reporting Regulations Update

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Introduction: Withers KhattarWong

Founded in 1974, KhattarWong LLP is one of Singapore's largest law firms. It has an extensive breadth and depth of legal resources with experienced lawyers and professionals from various countries.

KhattarWong has launched a Formal Law Alliance with international law firm Withers, creating Withers KhattarWong which can now provide a greatly expanded range of legal services to our clients, both locally and internationally.

The Alliance can offer advice on every aspect of our clients' affairs, from business to personal issues, as well as charitable and philanthropic activities. The Alliance also enables clients to access skilled advisors across Withers' international office network in Asia, Australia, the USA and Europe.

Scope

- Money Laundering / AML Policies
- Corporate Governance
 - Dual Class Shares
 - Sustainability Report

Money Laundering in the Global Context

- Singapore is a global financial centre and international trading hub
- One of the lowest rates of financial crimes in the world
- Makes Singapore ideal for money laundering activities as it lends the appearance of legitimacy
- Recent events
 - 1MDB
 - Panama Papers

Changes to AML Policies

- Last changes made in 2015
- Recent events of 1MDB and Panama Papers have raised a cause for concern.
- More emphasis this year on identifying the ultimate beneficial owner (UBO)
- MAS announced the formation of dedicated departments to combat money laundering and strengthen enforcement.
- Discussion of implementing a country-wide model to enhance customer due-diligence in the banking sector

Corporate Governance

- Recent breaches

- Foreland Fabritech Holdings

- Failure to make timely announcements,
allegations of wrongful settlement which cost
the company S\$60 million

Corporate Governance

- Tripartite governance structure
 - Board
 - Shareholders
 - Third parties
 - SGX's subsidiary
 - SIAS

Anticipated Developments in Corporate Governance

- Expected review of Code of Corporate Governance since the last review was in 2012
- Focus on independence of directors and board composition
- Corporate governance of subsidiaries

Dual Class Shares

- Allows listed companies to issue more than one type of share with differing voting rights and dividend payments
- Differing voting rights would mean a greater emphasis on corporate governance to ensure the interests of all shareholders are fairly considered
- If implemented, it may mean additional corporate governance requirements for companies who issue such shares

Dual Class Shares

- Debate on dual class shares is between the emphasis on management and concerns over increased agency costs in maintaining the dual class shares.
- However, will align Singapore market to that of US.

Sustainability Report

- Applies to listed companies from the financial year ending on or after 31 Dec 2017
- Sustainability report should disclose material environmental, social and governance (ESG) factors, their policies, practices, performance and targets
- Previously a voluntary reporting structure

Conclusion

- Many new and upcoming changes to reporting framework which companies have to adhere to
- Overall there has been an enhancement to the enforcement framework of breaches of AML procedures or corporate governance
- In the short run will raise the compliance costs of a company – focus seems to be shifting in favour of having a dedicated team to look at the compliance requirements of the company

Questions

