



Review Times

November 2017



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1. Regulatory & Business

1.1 Inward re-domiciliation regime in effect from 11 October 2017

To further boost Singapore's competitiveness as a business hub, an inward re-domiciliation regime took effect from 11 October 2017.

The inward re-domiciliation framework which was introduced under recent amendments to the Companies Act will enable foreign corporate entities to transfer their registration to Singapore. A foreign corporate entity that re-domiciles to Singapore will become a Singapore company and will be required to comply with the Singapore Companies Act like any other Singapore incorporated company.

Information pertaining to the commencement notification and the relevant subsidiary legislation can be found at the Accounting and Corporate Regulatory Authority (ACRA) website at www.acra.gov.sg.

1.2 Singapore Board of Directors Survey 2017 launched

On 7 November 2017, the 10th edition of the Singapore Board of Directors Survey was jointly launched by the Singapore Institute of Directors (SID), Singapore Exchange (SGX), PricewaterhouseCoopers (PwC) and Singapore University of Social Sciences (SUSS).

The 2017 survey was organised by SID and SGX, with the support of PwC and SUSS. Presently in its tenth year, the biennial survey seeks to provide an overview of the current corporate governance landscape in Singapore, and how it has evolved since the last survey.

There were 203 respondents to the 2017 survey between May and July 2017.

Following are some of the key findings of the survey:

- There is an uptick in the percentage of respondents taking steps to encourage more female representation on the board- 39 per cent for the 2017 survey compared with 14 per cent for the 2015 survey. Rather than focus on female diversity, respondents have identified expertise, age, ethnicity and nationality as other forms of diversity that should be taken into consideration in the appointment of new directors to their boards. In addition, continued best efforts to increase awareness were again found to be the most preferred method to enhance board diversity.
- The most common type of advice sought by boards remained unchanged from 2015. These are namely legal (77 per cent), followed by financial reporting and tax (71 per cent) and corporate secretarial and compliance (64 per cent). Interestingly, there is a marked decrease in the advice sought on risk management, which fell to 36 per cent from 62 per cent in 2015.
- While cybersecurity is a major concern at nine out of 10 boards in Singapore, it is not part of strategic discussions at board level.
- More than half of the respondents still did not disclose the detailed remuneration of each director and chief executive officer (CEO) on a named basis, citing confidentiality and concerns about poaching as reasons. (The overall percentage of firms providing disclosures of the detailed remuneration of each director and CEO was about 47 per cent compared to 45 per cent in 2015).
- 30 per cent of respondents said they do not impose limits on the number of years an independent director can serve, nor do they conduct a rigorous review after nine years. This is a non-compliance with the Code of Corporate Governance.

1.3 Prevalence on use of cryptocurrency in Singapore and measures to regulate cryptocurrency and Initial Coin Offerings

During the parliament sitting on 2 October 2017, Mr Tharman Shanmugaratnam, Deputy Prime Minister and Minister in charge of the Monetary Authority of Singapore (MAS) replied to a parliamentary question on (a) how prevalent is the use of cryptocurrency in Singapore; and (b) what measures will MAS introduce to regulate Initial Coin Offerings (ICOs).

Following are the key points of his replies as per the MAS website at the following URL: <http://bit.ly/2zKYOdE>

- With advancement in technology, new virtual means of payment have emerged, such as cryptocurrency, which is a form of digital token secured by cryptography. They are not legal tender. But some people put their trust in them and use them as a means of payment. Hence, Bitcoin and Ether have been adopted by people in some communities to pay one another or to pay for goods and services.
- MAS has been monitoring the use of such virtual currencies. Their use is not prevalent in Singapore- about 20 Singapore retailers like restaurants and online shops currently accept Bitcoins. This is unlike places like Japan, where the use is more popular. Likewise, in the Singapore financial industry, use of virtual currencies as a mode of payment is not significant. Trading is generally for speculative investment purposes, and the volume is low compared to other countries such as US, Japan and Hong Kong.
- Similar to most jurisdictions, MAS does not regulate such virtual currencies per se. However, MAS regulates the activities that surround them if those activities fall within MAS's more general ambit as financial regulator. There are two examples.
- The first example is virtual currencies, due to the anonymous nature of the transactions, can be exploited for money laundering and terrorism financing risks. MAS is working on a new payment services regulatory framework that will address these risks.
- The second example is fund-raising. Virtual currencies can go beyond being a means of payment, and evolve into "second generation" tokens representing benefits such as ownership in assets, like a share or bond certificate. The sale of such "second generation" tokens to raise funds is commonly known as an initial coin offering (ICO). A number of ICOs have been structured out of Singapore in recent months.
- These are financial activities that fall under MAS' regulatory ambit. Hence, on 1 August 2017, MAS clarified that if a token is structured in the form of securities, the ICO must comply with existing securities laws aimed at safeguarding investors' interest. So, the requirements of having to register a prospectus, obtain intermediary or exchange operator licences, will apply. These intermediaries must also comply with existing rules on anti-money laundering and countering terrorism financing.
- MAS has not issued new legislation specifically for ICOs. It will continue to monitor the developments of such offers, and consider more targeted legislation if necessary.

2. Financial Reporting

2.1 IASB issues narrow-scope amendments to IFRS 9 and IAS 28

On 12 October 2017, the International Accounting Standards Board (IASB) issued amendments to International Financial Reporting Standard (IFRS) 9 *Financial Instruments* and to International Accounting Standard (IAS) 28 *Investments in Associates and Joint Ventures* to aid implementation.

The amendments to IFRS 9 allow companies to measure particular prepayable financial assets with so-called negative compensation at amortised cost or at fair value through other comprehensive income if a specified condition is met—instead of at fair value through profit or loss.

The amendments to IAS 28 clarify that companies account for long-term interests in an associate or joint venture—to which the equity method is not applied—using IFRS 9.

The IASB has also published an example that illustrates how companies apply the requirements in IFRS 9 and IAS 28 to long-term interests in an associate or joint venture.

The amendments are effective from 1 January 2019, with early application permitted.

For more information, please go to the following URL: <http://bit.ly/2xle233>

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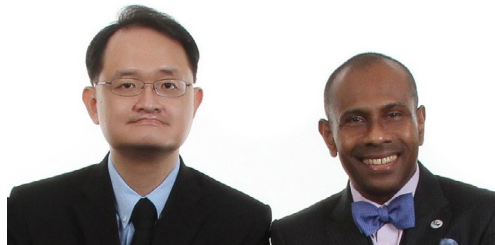
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