

CAPITAL MARKETS | CORPORATE COMMERCIAL | MERGERS & ACQUISITIONS

# ACRA Consults on Legislative Changes to Safeguard Shareholders' Interests and Ease Regulatory Burden

## Executive Summary

The Ministry of Finance (MOF) and the Accounting and Corporate Regulatory Authority ("**ACRA**") are seeking feedback on proposals to amend the following ACRA-administered legislation to: (i) prevent the misuse of companies for unlawful purposes; (ii) ease the regulatory burden for companies; (iii) safeguard shareholders' interests; and (iv) enhance the regulatory regime for public accountants:

1. Accountants Act 2004;
2. Accounting and Corporate Regulatory Authority Act 2004;
3. Companies Act 1967 ("**CA**");
4. Limited Liability Partnerships Act 2005; and
5. Limited Partnerships Act 2008.

The changes follow from two earlier consultation exercises conducted by ACRA in December 2021/January 2022 and July/August 2020. ACRA has since issued its [Response](#) to feedback on some of the proposals from earlier consultation papers ("**Response**").<sup>1</sup> These proposals are set out in the [Public Consultation on the Corporate and Accounting Laws \(Amendment\) Bill](#). The consultation ends on **31 July 2025**. Comments should be submitted via [FormSG](#). Details of the proposed legislative changes and the key clauses are available at [Annex A- Draft Corporate and Accounting Laws \(Amendment\) Bill](#) ("**Bill**") and [Annex B- Key clauses in the draft Corporate and Accounting Laws \(Amendment\) Bill](#).

This Update discusses the key changes to the CA to: (i) safeguard shareholders' interests; and (ii) ease the regulatory burden for companies.

## Key Changes to Safeguard Shareholders' Interests

These changes stem from the recommendations made by the Companies Act Working Group which was set up in January 2018 to review several areas of the CA to ensure that Singapore's corporate laws and regulatory framework stay competitive. Chapter 4 of the "[Report of the Companies Act](#)

---

<sup>1</sup> For some background, please refer to our February 2023 Legal Update titled "[MOF and ACRA Respond to Proposals Relating to Digitalisation and Compulsory Acquisition in 2020 Consultation Paper on Proposed Amendments to Companies Act](#)".

Working Group" that was released on 15 May 2019 considered various aspects of the CA relating to class rights, share buybacks and the threshold for compulsory acquisition, with a view to consider whether improvements needed to be made in respect of the provisions to safeguard shareholders' interests.

Existing Position / Requirements	Proposed Changes	Rationale
<p><b>Variation of Class Rights</b></p> <p>If the rights of a class of shares are varied or abrogated in a company with different classes of shares, the holders of at least 5% of the total number of issued shares of that class of shares may apply to the court to cancel the variation or abrogation.</p> <p>However, the CA is currently silent on the proportion of shareholders whose consent is required for the variation or abrogation of class rights. In practice, companies would obtain agreement from 75% of the company, and from 75% of the class of shareholders.</p>	<p>This area was also addressed in an earlier consultation. In its Response, ACRA noted that the feedback was supportive and that it will make the following changes:</p> <ul style="list-style-type: none"> <li>Amend section 74 of the CA to mandate that a variation or abrogation of class rights must be approved by at least 75% of the class-rights holders, unless the constitution of the company states otherwise.</li> <li>Retain the 5% threshold that applies to the right to apply to court to cancel a variation or abrogation of class rights pursuant to section 74(1) of the CA.</li> </ul>	<p>The change provides clarity on the quantum of shareholders' approval required to vary or abrogate class rights. The quantum of 75% is aligned with existing practice.</p> <p>The proposed carve-out ("unless the constitution of the company specifies otherwise") gives companies the flexibility to decide on the appropriate threshold at which certain class rights can be varied.</p>
<p><b>Selective Share Buybacks within Class of Shares under section 76D of the CA</b></p> <p>A company may make a selective off-market purchase, if it is made in accordance with an agreement authorised by a special resolution, with no votes being cast by any person whose shares are proposed to be purchased or acquired or by his or her associated persons ("<b>target</b>").</p>	<p>This area was also addressed in an earlier consultation. In its Response, ACRA noted that the feedback was supportive.</p> <p>ACRA proposes to require:</p> <ul style="list-style-type: none"> <li>Two tiers of approval for selective off-market purchase or acquisition of own shares by: (i) the members of the company less the target; and (ii) the relevant members within that class of shares less the target under section 76D of the CA.</li> <li>The percentage threshold for both tiers of approval to be 75%, which is the same as that for the special resolution</li> </ul>	<p>The change will better safeguard the rights of shareholders in such scenarios by ensuring that their voting rights are not diluted. This is because when a company selectively purchases only some shares within a class, it may be unfair to the shareholders of that class who are not targeted.</p>

Existing Position / Requirements	Proposed Changes	Rationale
	currently required under section 76D of the CA.	
<b>Compulsory Acquisition Threshold</b>  An offeror can serve a notice of compulsory acquisition on dissenting shareholders within two months after 90% of the shareholders approve the offer to acquire all the shares of the company. The computation of the 90% threshold excludes new shares issued after the date of the offer.	<p>This area was also addressed in an earlier consultation. In its Response, ACRA noted that the feedback was supportive.</p> <p>ACRA stated that it will make the change to allow holders of options or convertible securities issued on or before the date of the offer who exercise their conversion rights prior to the date of the notice of compulsory acquisition to express their approval or disapproval of the offer by having their shares count towards the 90% threshold.</p>	The change will increase protection for holders of options and convertible securities. Introducing a deadline of the date of notice of compulsory acquisition places the onus on these holders to exercise their conversion rights in a timely manner if they intend to have their disapproval count in calculating the 90% threshold. In addition, the holders of existing options or convertible securities are not prejudiced as potential shareholders because their conversion rights are respected vis-à-vis the 90% threshold.
<b>Director to Notify Company of His Disqualification</b>  Only directors who are disqualified to act due to bankruptcy or persistent default in relation to delivery of documents to the Registrar must notify their companies of their disqualification, and they may notify the Registrar themselves if they have reasonable cause to believe that their company will not do so (section 173E(1) of the CA).	<p>This area was addressed in an earlier consultation. In its Response, ACRA noted that the feedback was supportive, and that it will: (i) require all directors disqualified under the CA to notify their companies of their disqualification; and (ii) allow all disqualified directors to notify the Registrar if they have reasonable cause to believe that their companies would not do so.</p>	The change will ensure a consistent approach towards all disqualified directors, regardless of disqualification type.
<b>Striking-off Regime</b>  Currently, for both voluntary striking off and Registrar-initiated striking off, the Registrar can only publish the Gazette notice 30 days after the letter is sent to the	<p>This area was addressed in an earlier consultation. In its Response, ACRA stated that it will:</p> <ul style="list-style-type: none"> <li>• <b>For Registrar-initiated striking off:</b> Reduce the notice</li> </ul>	This change will improve the efficiency of the striking-off process as a whole without changing the length of the statutory period (60 days) for the public to lodge objections.

Existing Position / Requirements	Proposed Changes	Rationale
company, although some of the striking-off applications are submitted by the companies themselves. This 30- day period allows the company to lodge objections to the striking off. If the Registrar does not receive an objection from the company after 30 days, a Gazette notice can be published to give the public (e.g. creditors) 60 days to object to any striking-off application.	<p>period for ACRA-initiated striking off from the current 30 days to 15 days.</p> <ul style="list-style-type: none"> <li><b>For voluntary striking off:</b> Allow the Registrar to publish the Gazette notice as early as the next day after the letter is sent (regardless of the mode of delivery).</li> </ul>	This could in turn reduce the likelihood of inactive companies being misused for illicit purposes (e.g. money laundering).

## Key Changes to Ease Regulatory Burden for Companies

ACRA reviewed the following requirements relating to company directors, company secretaries and a company's registered office, as well as the compliance requirements for public companies, in the context of determining whether Singapore's company incorporation requirements can be made less restrictive so as to increase Singapore's competitiveness as a hub for incorporation, while ensuring that companies remain accountable and comply with statutory requirements.

Existing Position / Requirements	Proposed Changes	Rationale
<b>Prohibition against Appointment of Sole Director as Company Secretary</b>	This area was addressed in an earlier consultation. In its Response, ACRA stated it will remove this prohibition and allow a sole director to be appointed as the company secretary.	This change helps to reduce the compliance burden for smaller companies. To safeguard against compliance and governance issues, a sole director acting as a company secretary must demonstrate the requisite knowledge and experience to be a company secretary. Directors will still continue to be liable for company affairs, including complying with regulations.
<b>Lodgement of Statement in lieu of Prospectus</b>  A statement in lieu of prospectus is required to be filed with the Registrar in the following circumstances:	This area was addressed in an earlier consultation. In its Response, ACRA noted that the feedback was supportive, and that it will remove the requirement to lodge a statement in lieu of	The removal of the requirement reduces the regulatory burden and duplicative reporting for companies. For public companies, the information required in a statement in lieu of prospectus is already covered by the prospectus

Existing Position / Requirements	Proposed Changes	Rationale
<ul style="list-style-type: none"> <li>Upon conversion from a private to public company.</li> <li>Upon ceasing to be a private company.</li> <li>Prior to first allotment of shares or debentures for a public company having a share capital that does not issue a prospectus.</li> <li>Prior to commencing any business or exercising any borrowing power for a public company having a share capital that does not issue a prospectus.</li> </ul>	prospectus under the circumstances prescribed in the CA.	requirements under the Securities and Futures Act 2001.
<p><b>Requirements for Public Limited Companies Regarding Statutory Meetings and Statutory Reports</b></p> <p>A public company that is a limited company and has a share capital is required to hold a statutory meeting within a period of not less than one month and not more than three months after the date on which it is entitled to commence business.</p> <p>The directors of the company are required to forward a statutory report to the members at least seven days before the day on which the statutory meeting is to be held.</p> <p>The statutory report must be certified by at least two directors and contain the specified information.</p>	<p>This area was addressed in an earlier consultation. In its Response, ACRA noted that the feedback was supportive, and that it will remove the requirements for public limited companies with a share capital to convene a statutory meeting and to prepare a statutory report.</p>	<p>The proposed amendment will provide more flexibility and reduce the regulatory burden for public limited companies, without compromising members' rights. Companies are required to hold an annual general meeting ("<b>AGM</b>") annually within four months after the company's financial year end and members will have access to the following information through the AGM:</p> <ul style="list-style-type: none"> <li>Financial statements.</li> <li>Register of directors and chief executive officer, which shows information relating to the shares, debentures, contracts, rights and options which these individuals have an interest in.</li> <li>Register of members.</li> </ul> <p>The CA also provides for other ways to convene meetings:</p>

Existing Position / Requirements	Proposed Changes	Rationale
Matters relating to the process of the statutory meeting are regulated.		<ul style="list-style-type: none"> <li>An extraordinary general meeting must be convened when requested by members holding at least 10% of the company's shares.</li> <li>A meeting of a company may be called by two or more members holding at least 10% of the company's shares.</li> </ul>
<p><b>Registered Office to be Open and Accessible to Public for Specified Duration</b></p> <p>Among other requirements, a company's registered office is required to be open and accessible to the public for not less than three hours during ordinary business hours on each business day.</p> <p>Similar requirements apply to foreign companies.</p> <p>Any company record which is required to be available for inspection must be available for inspection during the hours in which the registered office of the company is accessible to the public.</p>	<p>ACRA proposes to:</p> <ul style="list-style-type: none"> <li>Remove the requirement for a company's registered office to be open and accessible to the public for not less than three hours during ordinary business hours on each business day, and other related requirements.</li> <li>Allow companies to provide for the hours during which the rights of inspection of a company's records may be exercised and to provide that a person entitled to inspect any company record must give the company reasonable notice of the person's intent to inspect, with specified exceptions where inspection powers are exercised by, for example, the Minister or the Registrar.</li> </ul>	The changes give companies the flexibility to determine their registered offices' opening hours without compromising those who have rights to inspect company records or serve documents to companies.

## Our Comments

The proposed legislative changes will have a direct impact on both compliance practices and corporate transactions.

The introduction of higher approval thresholds for the variation of class rights and selective share buybacks, and the inclusion of option holders and convertible security holders in the approval threshold for compulsory acquisitions, are designed to reduce the risk of abuse of power by majority shareholders and to strengthen protections for minority shareholders. However, these legislative changes may lengthen transaction timelines, so stakeholders should factor in additional lead times and communication strategies in the event that the Bill is passed.

At the same time, the Bill seeks to reduce the administrative burden for companies by reducing duplicity in reporting (e.g. the removal of the requirements regarding the statement in lieu of prospectus and the statutory report for public limited companies) and by streamlining existing processes (e.g. by abolishing statutory meetings for public limited companies and by reducing the overall timeline for a voluntary striking off).

If the Bill is passed, companies should: (i) review their constitutions to determine whether the relevant approval thresholds are appropriate; and (ii) where appropriate, update their transaction documentation to reflect the new mechanics for class-rights variations, selective share buybacks and compulsory acquisitions. Early alignment will ensure a seamless transition once the Bill is enacted.

If you have any queries on the above matters, or wish to find out more about this development or other changes that are not covered in this Update, or wish to submit feedback on the consultation, please reach out to our Team members set out on this page.

# Contacts

## CAPITAL MARKETS

Howard Cheam

**HEAD**

D +65 6232 0685  
[howard.cheam@rajahtann.com](mailto:howard.cheam@rajahtann.com)

Cynthia Goh

**PARTNER**

D +65 6232 0316  
[cynthia.goh@rajahtann.com](mailto:cynthia.goh@rajahtann.com)

Tan Mui Hui

**DEPUTY HEAD**

D +65 6232 0191  
[mui.hui.tan@rajahtann.com](mailto:mui.hui.tan@rajahtann.com)

Cynthia Wu

**PARTNER**

D +65 6232 0775  
[cynthia.wu@rajahtann.com](mailto:cynthia.wu@rajahtann.com)

## CORPORATE COMMERCIAL

Abdul Jabbar Bin Karam

**PARTNER**

D +65 6232 0465  
[abdul.jabbar@rajahtann.com](mailto:abdul.jabbar@rajahtann.com)

Khairil Suhairee

**PARTNER**

D +65 6232 0571  
[khairil.suhairee@rajahtann.com](mailto:khairil.suhairee@rajahtann.com)

## Mergers & Acquisitions

Tracy-Anne Ang

**HEAD**

D +65 6232 0483  
[tracy.ang@rajahtann.com](mailto:tracy.ang@rajahtann.com)

Terence Quek

**DEPUTY HEAD**

D +65 6232 0277  
[terence.quek@rajahtann.com](mailto:terence.quek@rajahtann.com)

Hoon Chi Tern

**DEPUTY HEAD**

D +65 6232 0714  
[chi.tern.hoon@rajahtann.com](mailto:chi.tern.hoon@rajahtann.com)

Please feel free to also contact Knowledge Management at [RTApublications@rajahtann.com](mailto:RTApublications@rajahtann.com).

## Regional Contacts

### Cambodia

#### Rajah & Tann Sok & Heng Law Office

T +855 23 963 112 | +855 23 963 113  
kh.rajahtannasia.com

### China

#### Rajah & Tann Singapore LLP Representative Offices

##### Shanghai Representative Office

T +86 21 6120 8818  
F +86 21 6120 8820

##### Shenzhen Representative Office

T +86 755 8898 0230  
cn.rajahtannasia.com

### Indonesia

#### Assegaf Hamzah & Partners

##### Jakarta Office

T +62 21 2555 7800  
F +62 21 2555 7899

##### Surabaya Office

T +62 31 5116 4550  
F +62 31 5116 4560  
www.ahp.co.id

### Lao PDR

#### Rajah & Tann (Laos) Co., Ltd.

T +856 21 454 239  
F +856 21 285 261  
la.rajahtannasia.com

### Malaysia

#### Christopher & Lee Ong

T +603 2273 1919  
F +603 2273 8310  
www.christopherleeong.com

### Myanmar

#### Rajah & Tann Myanmar Company Limited

T +951 9253750  
mm.rajahtannasia.com

### Philippines

#### Gatmaytan Yap Patacsil Gutierrez & Protacio (C&G Law)

T +632 8248 5250  
www.cagatlaw.com

### Singapore

#### Rajah & Tann Singapore LLP

T +65 6535 3600  
sg.rajahtannasia.com

### Thailand

#### Rajah & Tann (Thailand) Limited

T +66 2656 1991  
F +66 2656 0833  
th.rajahtannasia.com

### Vietnam

#### Rajah & Tann LCT Lawyers

##### Ho Chi Minh City Office

T +84 28 3821 2382  
F +84 28 3520 8206

##### Hanoi Office

T +84 24 3267 6127 | +84 24 3267 6128  
vn.rajahtannasia.com

Rajah & Tann Asia is a network of legal practices based in Asia.

Member firms are independently constituted and regulated in accordance with relevant local legal requirements. Services provided by a member firm are governed by the terms of engagement between the member firm and the client.

This update is solely intended to provide general information and does not provide any advice or create any relationship, whether legally binding or otherwise. Rajah & Tann Asia and its member firms do not accept, and fully disclaim, responsibility for any loss or damage which may result from accessing or relying on this update.

## Our Regional Presence



Rajah & Tann Singapore LLP is one of the largest full-service law firms in Singapore, providing high quality advice to an impressive list of clients. We place strong emphasis on promptness, accessibility and reliability in dealing with clients. At the same time, the firm strives towards a practical yet creative approach in dealing with business and commercial problems. As the Singapore member firm of the Lex Mundi Network, we are able to offer access to excellent legal expertise in more than 100 countries.

Rajah & Tann Singapore LLP is part of Rajah & Tann Asia, a network of local law firms in Cambodia, China, Indonesia, Lao PDR, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam. Our Asian network also includes regional desks focused on Brunei, Japan and South Asia.

The contents of this Update are owned by Rajah & Tann Singapore LLP and subject to copyright protection under the laws of Singapore and, through international treaties, other countries. No part of this Update may be reproduced, licensed, sold, published, transmitted, modified, adapted, publicly displayed, broadcast (including storage in any medium by electronic means whether or not transiently for any purpose save as permitted herein) without the prior written permission of Rajah & Tann Singapore LLP.

Please note also that whilst the information in this Update is correct to the best of our knowledge and belief at the time of writing, it is only intended to provide a general guide to the subject matter and should not be treated as a substitute for specific professional advice for any particular course of action as such information may not suit your specific business and operational requirements. It is to your advantage to seek legal advice for your specific situation. In this regard, you may contact the lawyer you normally deal with in Rajah & Tann Singapore LLP or email Knowledge Management at [RTApublications@rajahtann.com](mailto:RTApublications@rajahtann.com).