

HIGHLIGHTS OF THE STEERING COMMITTEE'S RECOMMENDATIONS

(a) Extend disclosure requirements to Chief Executive Officer (CEO): Currently, company directors are required to disclose conflict of interests in transactions with the company, as well as shareholdings in the company or related corporation. As a company's key decisions are made by management who may not be directors, the report recommends extending the disclosure requirement to the CEO who is at the apex of the company's management.

(b) Enfranchise indirect investors: Currently, a member of a company can appoint a maximum of two proxies to attend and vote at a general meeting, unless the company's articles specify otherwise. The report recommends that subject to contrary provisions in the company's articles, members who provide custodial or nominee services will be allowed to appoint multiple proxies, provided that each proxy is appointed to exercise the rights attached to a different share, and the number and class of shares are specified. The report also recommends that share investors using their CPF monies be given the rights to attend, speak and vote at general meetings.

(c) Liberalise rules on electronic transmission of notices and documents: The report recommends liberalising the rules for companies to transmit notices and documents electronically. Specifically, the report recommends that companies be allowed to use electronic communications if a member has given "deemed consent" or "implied consent". Under the "deemed consent" regime, members can choose to receive electronic or physical notices and documents. Under the "implied consent" regime, members will not have any right to request for physical copies, and the absence of such rights must be specified in companies' articles. The report also recommends that shareholders should be given sufficient time to react and adjust if a company amends its articles to adopt the "implied consent" regime. It will be left to investors to decide whether they wish to be shareholders of such companies.

(d) Allow public companies to issue non-voting and multiple vote shares: Currently, public companies can only issue shares that carry one vote per share. The restriction does not apply to private companies. To allow public companies greater flexibility in capital management, the report recommends allowing them to issue non-voting and multiple vote shares subject to certain safeguards. Listed companies may be subject to additional restrictions imposed by the Singapore Exchange.

(e) Introduce small company criteria for audit exemption: Currently, a company must be audited unless it is dormant, or an exempt private company (EPC) with revenue of S\$5million or less. An EPC is a private company whose members are natural persons and has not more than 20 members, or any private company that is gazetted as such. The report recommends replacing the EPC criterion with a "small company" criterion for audit exemption. A company qualifies as a "small company" if it is a private company and fulfils two of the following three criteria:

Criterion One	Criterion Two	Criterion Three
Total annual revenue of not more than S\$10million	Total gross assets of not more than S\$10million	Number of employees of not more than 50

The report further recommends that a subsidiary may be exempt from audit as a “small company”, only if the entire group of companies meets the “small company” criteria on a consolidated basis. With the introduction of the “small company” criteria, the report recommends abolishing the concept of EPC.

(f) Merge the Memorandum and Articles of Association (M&AA) into one document known as the Constitution: For practical reasons, the report recommends merging the existing two documents of the M&AA into a single document, to be known as the Constitution of the company. In addition, the report recommends that there should be two models of the Constitution for private companies and public companies limited by guarantee. There will be no prescribed model Constitution for public companies limited by shares, given the complexity of such companies and since they will be in a better position to determine their Constitution.

(g) Allow disclosure of alternate address instead of residential address: Currently, an applicant is required to provide his personal particulars (including residential address) to the Registrar when setting up a company. Due to increased security concerns on disclosing residential address on public records, the report recommends that an applicant be allowed to disclose an alternate address (where he can be located) instead of his residential address. To prevent abuse and fraudulent reporting, the Registrar would be empowered to publish a person’s residential address if he cannot be located at the alternate address after due enquiry.