IS Chartered Accountant Journal
JUNE 2019

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ISCA Annual General Meeting 2018/2019 Highlights

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ISCA INSTITUTE OF SINGAPORE CHARTERED ACCOUNTANTS

Take Action, Make Things Happen; Don't Limit Your Perspectives

Dear members,

MY TEAM AND I WERE VERY HAPPY TO HAVE MET MANY OF YOU at the two key ISCA events that took place recently – the AGM on April 27 and just a week later, the ISCA Run on May 4. It is heartening to receive your strong support as it tells us we are on the right track to add value to your ISCA membership, walking alongside you in your accountancy career. With your unwavering support, I am confident that we can achieve our vision to be a globally recognised professional accountancy body, bringing value to our members, the profession and the wider community.

As a member-centric body, we take deliberate action to make things happen so that our members can gain a competitive edge. Given the globalised nature of business, we strive to equip members with the relevant knowledge and skills to navigate the broader business landscape – one that is increasingly borderless, complex and dynamic, and encompasses Singapore and beyond. The Institute's perspective involves thinking far, thinking deep and thinking widely, to benefit our members. This month's cover story highlights some of our achievements in the last financial year, as shared at the recent AGM.

ISCA is proactive in preparing members for the future economy. With technology becoming an integral part of business, new opportunities have emerged for finance professionals in related areas such as data analytics, cybersecurity and financial forensics. Accountants, given their training and experience, are in a unique position of strength to participate in these fields of high potential. To help members expand their career options, the Institute has launched specialisation pathways including the ISCA-SUSS Business Analytics Certification Programme, and ISCA Financial Forensic Accounting Qualification. This year, we are developing the ISCA Infrastructure Finance Qualification, and also exploring the development of a cybersecurity certificate programme. To members who are thinking of joining these niche areas, I urge you to take action and make things happen for yourself; register for the course that aligns with your professional ambitions.

Singapore, as a renowned global business hub, must ensure that conditions continue to be conducive for business. Controlling white-collar crime and having strong corporate governance play a role in this. Given the sophisticated and transnational nature of corporate crime, specialised skills in financial forensics are needed to address the challenges. The Institute continues the discussion on this important topic. The article, "Combating White-Collar Crime", explains why ethical values are as important as cutting-edge digital skills in fraud prevention. The ISCA Financial Forensic and Cybersecurity Conference, which takes place on July 18, will delve further into this topic. The article, "Revised Code Of Corporate Governance Effective 1 January 2019" provides more insights into how listed companies can join the fight against corporate crime.

As a professional body, we hope that all our members can achieve their career aspirations. There is no better way to be inspired than by hearing from a fellow member. In this month's Member Profile column, we feature Euleen Goh, a trailblazer in more ways than one. Read her story and it becomes immediately clear that Euleen is not someone who sits around waiting for things to happen; nor does she allow herself to be limited by the conventions of the day. Her career is an illustrious one, and she has gone further than most women – and men – have gone in the corporate and financial arenas, smashing through the proverbial glass ceiling time and again. Euleen was among the first Singaporean women to reach the highest echelons in the financial sector, and in several instances, she was the first Asian or first woman to be appointed to the Board of Directors. Suffice it to say, her contributions have helped to broaden the perspectives towards board gender diversity. Euleen encourages members to take action so that they can realise their career goals; she also reminds members not to be so focused on the outcome that they miss out on the fun and diverse experiences they can have along the way.

As always, the Journal keeps you updated on the latest trending topics. As Singapore heads towards going cashless, it is timely to note the discussion surrounding e-payments and their associated issues. In the first of a three-part series, "E-Payments And Cashless Societies (Part 1)", we take a look at China and Sweden, the standard bearers for the e-payment revolution. Elsewhere in the Journal are other resources that are relevant to your work.

ISCA is committed to doing our part as the national accountancy body. As President, I hope to develop the Institute into a world-class organisation that embodies the following elements – inclusiveness, innovation, infrastructure and impact. These four elements work synergistically together to further our mission to promote the accountancy profession and contribute to Singapore's aspiration to be a leading global accountancy hub, be the voice for our members and the profession, and empower members to achieve their aspirations.

The systems are in place and we have rolled out many initiatives designed to help members navigate a multifaceted business landscape. Are you taking action to reap the benefits of your ISCA membership? Are you prepared to enjoy "the journey" – as advised by Euleen – opening your mind to the potential rewards you can reap *en route* to your career goal?

Lastly, I would like to take this opportunity to thank Balasubramaniam Janamanchi for his contributions as Treasurer and Executive Committee member of ISCA in the past year. I am pleased to inform that he is now a co-opted ISCA Council member.

Kon Yin Tong
FCA (Singapore)
president@isca.org.sg

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Skills For A More Competitive Singapore Financial Sector Workforce

PHOTO SHUTTERSTOCK

A STUDY COMMISSIONED BY the Institute of Banking and Finance Singapore (IBF) and Monetary Authority of Singapore (MAS) has set out how data analytics and automation are likely to enhance or transform 121 job roles in Singapore's financial sector over the next three to five years. Titled "The Impact Of Wider Integration Of Data Analytics And Automation On Manpower In The Singapore Financial Services Sector", it is the most comprehensive study to date, covering more than 90% of jobs in the financial sector spanning banking, capital markets, asset management and insurance. The report was launched at the IBF Careers Connect Visit event on April 23, where Minister for Manpower Josephine Teo gave the keynote address.

The study, conducted by Ernst & Young over nine months and released in late April, also identified the skills necessary to perform the new tasks enabled by data analytics and automation. It provides a compass for financial institutions and individuals to prepare themselves for the future of work as the use of data analytics and automation become pervasive in the financial sector. The report is available at the IBF and MAS websites.

TECHNOLOGY AND ITS IMPACT ON WORKERS

Ravi Menon, Managing Director, MAS and Chairman, IBF, in his opening remarks at the IBF Careers Connect Visit event, urged the audience to keep in mind the above

Impact of data analytics and automation

According to the study, about half of the 121 job roles analysed would be augmented as individuals leverage these technologies to amplify their performance. Another one third of job roles would be transformed as technology substitutes a significant proportion of job tasks, and remaining tasks across synergistic job roles will converge into new roles. Across all job roles, individuals would be required to take on new or expanded tasks that have a higher element of judgement and creativity, while tasks of a more repetitive and rules-based nature are automated. The study also identified emerging job roles that would grow in demand with the adoption of data analytics and automation in the sector.

"Business transformation alone is not enough; we also need workforce transformation," highlighted Ng Nam Sin, Chief Executive Officer, IBF. The study can help to "uplift our workforce, harness the power of data analytics and automation, and make Singapore's financial centre more competitive."

"Across all industries, emerging technologies are bringing about challenges and opportunities to businesses and workers alike," acknowledged Patrick Tay, Assistant Secretary-General, National Trades Union Congress (NTUC). "The study is a

> "In this era of technology-driven transformation, helping our people become tech-enabled is essential. It is not just for people to achieve career mobility throughout life but also a smart business move to get ahead. In other words, employers and employees should walk the tech journey together."
>
> **JOSEPHINE TEO**, Minister for Manpower
> Keynote address, IBF Careers Connect Visit

practical tool for financial institutions and workers to learn about the impact of key technology trends and prepare themselves as job roles evolve." To meet emerging demands, workers need to be agile and adaptable, adopt a growth mindset and embrace life-long learning.

New programme for growth areas in technology

To help professionals who are keen to start a career in some of the new and emerging roles identified in the study is the Technology In Finance Immersion Programme (TFIP), which was launched by Minister Teo during the event. The programme will complement existing professional conversion programmes in helping individuals acquire skills that are in demand.

Developed by IBF and Workforce Singapore (WSG), and in partnership with Info-communications Media Development Authority, MAS and industry stakeholders, TFIP will offer training and attachment opportunities in Cloud Computing, Cybersecurity, Data Analytics and Full Stack Development. There are over 70 positions across seven participating financial institutions available for application. Successful applicants will undergo rigorous structured training and on-the-job training (OJT) with the financial institutions for up to two years.

"The TFIP opens up new avenues for mid-career Singaporeans keen to pick up new skills and convert to new careers in tech job roles in the financial services sector," said Tan Choon Shian, Chief Executive, WSG. With such "meaningful OJT with leading banks in Singapore, mid-career individuals can develop essential skill sets in the respective technology areas".

The release of the study report and the launch of TFIP are intended to bolster the financial sector's ongoing workforce transformation efforts. As at the end of 2018, financial institutions had identified and committed to reskill and re-deploy close to 4,000 of their employees. With the study identifying job roles that are improved and transformed, financial institutions will be better equipped to proactively re-design job roles and equip employees with relevant skills for the future of finance; finance professionals can also use the study to identify and acquire new skills to harness data analytics that can help them enhance career opportunities and professional growth.

Accountancy And Finance Professionals Urged To Upskill

EVEN AS THE SINGAPORE GOVERNMENT takes concerted effort to prepare professionals for a different finance landscape transformed by technology, global recruitment specialist Hays is urging finance professionals to upskill as they face an increasingly complex business environment. Already, the Accountancy & Finance (A&F) sector in Singapore is facing a skills gap, despite the large supply of professionals available, according to Hays.

"As candidates face immense competition in the job market, they have been motivated to upskill through taking their ACCA/CPA/CFA certifications or, to a smaller extent, pursuing their Master of Accountancy & Finance," explained Grant Torrens, Regional Director, Hays Singapore. "Many of them are also broadening their horizons by attending relevant networking sessions to connect with peers and prospective employers."

While accounting is still a fundamental requirement in most companies, Financial Planning & Analysis professionals have also been "increasingly taking on an important role at management meetings as they are expected to directly impact business performance by guiding the management team in making key decisions based on financial analyses," he said, pointing out the strategic contributions of finance professionals.

Employers have not been resting on their laurels when it comes to securing the top talents available to drive business growth. Organisations have been ramping up efforts by investing in their employer value propositions to attract the best talent in the market, such as through professional social media networking and online content marketing. "Such tactics are likely to grow each year as they prove to be effective in communicating the non-monetary benefits of working for a company," he said.

Other trends

Other trends surrounding the A&F sector in Singapore include:

- Candidates with a hybrid of experiences, such as in both financial accounting and analysis, are highly coveted as companies move towards lean yet high-performing finance teams.
- For mid-senior levels, talents who can act as commercial financial managers, taking finance teams to the next level in terms of business, are being sought after. To this end, firms are widening their nets in the search and looking at individuals from broad backgrounds and skill sets.
- There has been a growing conception of unique finance roles that require experience in data analytics-related skills such as Python and SQL. The knowledge of these technologies allows for the analysis of massive data sets and the automation of processes necessary for analysis.
- As hiring managers and human resource departments face pressures to employ local staff, the appetite of Singapore businesses for foreign hires has been gradually diminishing, compared to previous years.
- MNCs or regional SMEs who do employ foreign staff are more likely to arrange for internal transfers from their global offices than to hire externally, unless the role calls for extremely niche skill sets.

PHOTO SHUTTERSTOCK

Singapore Remains One Of The Least Corrupt Countries In The World

SINGAPORE CONTINUES TO SEE A LOW INCIDENCE OF CORRUPTION, and the number of new cases registered for investigation by the Corrupt Practices Investigation Bureau (CPIB) remains consistent with the trends in previous years. This was the key message shared by CPIB on April 25, when it announced its corruption statistics for 2018.

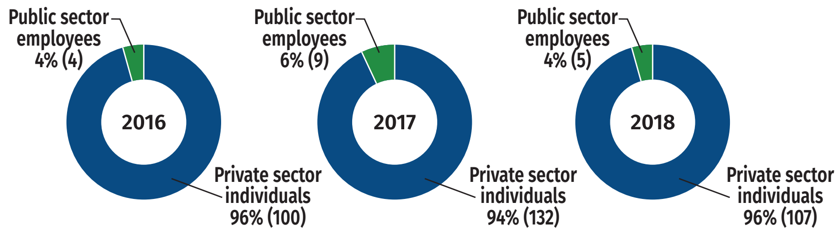
Internationally, Singapore's anti-corruption efforts are well regarded. In the Transparency International Corruption Perceptions Index (CPI) 2018, Singapore was ranked the third least corrupt country out of 180 countries and territories, alongside Finland, Sweden and Switzerland, and the only Asian country in the top 10 ranking.

The CPI scores and ranks countries and territories based on how corrupt a country's public sector is perceived to be. The 2018 CPI is a composite index aggregating 13 data sources on governance and business climate analysis. In total, 180 countries and territories were scored on a scale of zero – for highly corrupt, to 100 – for very clean. Singapore was also named the least corrupt country in the region, in the Political and Economic Risk Consultancy (PERC)'s 2018 Report on Corruption – an accolade Singapore has maintained since 1995.

Figure 1 Top performers in Transparency International CPI 2018

Rank	Country	Score
1	Denmark	88
2	New Zealand	87
3	Finland **Singapore** Sweden Switzerland	85
7	Norway	84
8	Netherlands	82
9	Canada Luxembourg	81
11	Germany United Kingdom	80

Figure 2 Proportion of public sector employees and private sector individuals prosecuted in Court for offences investigated by CPIB (2016 to 2018)



Perpetrators mostly from private sector

Last year, private sector cases continued to form the majority of CPIB's investigations (Figure 2), making up 88% of all new cases registered for investigation. Of these, 15% involved public sector employees rejecting bribes offered by private sector individuals. The proportion of public sector cases remained low, accounting for 12% of all cases registered for investigation.

Corruption is hard to detect as perpetrators go to great lengths to conceal the corrupt transactions and proceeds, says CPIB. Its Intelligence Division and other investigative support capabilities such as computer forensics, forensic accounting and polygraph testing play important roles in its investigations, and together, they contribute to its high annual clearance and conviction rates.

Given the growing incidences of fraud such as corruption, ISCA has launched two specialisation pathways to deepen members' expertise and build skills in data analytics and financial forensics. They are, respectively, the ISCA-SUSS Business Analytics Certification Programme and ISCA Financial Forensic Accounting Qualification. On July 18, ISCA will also be holding the Financial Forensic and Cybersecurity Conference, which will explore the impact of digitalisation on financial crime investigations, fraud detection and prevention, and cybersecurity issues for businesses.

PHOTOS SHUTTERSTOCK

One-Stop, Pro-Enterprise Platform For SMEs

BUSINESSES, ESPECIALLY SMALL AND MEDIUM-SIZED ENTERPRISES (SMES), have a new one-stop platform where they can get help to navigate government regulations and also give feedback amid a more complex business environment. Launched in April 2019, the SBF-ASME Pro-Enterprise Clinic for businesses is the collaboration of Singapore Business Federation (SBF), Association of Small & Medium Enterprises (ASME) and Ministry of Trade and Industry (MTI)'s Pro-Enterprise Panel (PEP).

By reducing the number of touchpoints SMEs have with public agencies, the platform makes it easier for companies to conduct their businesses through streamlining and improving regulatory processes. Businesses facing regulatory challenges can visit the ASME and SBF websites to file their case via a feedback form.

As the first point of contact for these companies, SBF and ASME will provide valuable insights and guidance, and direct the companies towards potential solutions. Where necessary, SBF and ASME will arrange for one-to-one sessions to have in-depth discussions with participating companies. For complex cases, MTI's PEP Secretariat will work with the relevant public agencies to address the queries and suggestions.

MTI's PEP regularly reviews government regulations and processes to better help businesses reduce regulatory requirements and compliance costs, so as to enable companies to remain competitive both locally and globally. With the increasingly competitive business environment, SBF, ASME and MTI's PEP have been working closely to explore possible avenues to engage businesses in different formats to reach out to more companies. This new platform will help companies here deal with the challenges of meeting the government's regulatory requirements. Additionally, the platform can serve as touchpoints to link companies to SME Centres for other areas of assistance to build enterprise capabilities.

Kurt Wee, President of ASME and Chairman of the SBF SME Committee, said, "Being in constant contact with the SME community, we have been hearing concerns from businesses that the feedback loop between enterprises and the government often takes quite some time. We believe that the introduction of the SBF-ASME Pro-Enterprise Clinic allows an open feedback channel directly from SBF and ASME to the relevant public agencies to address issues in a timely manner. This can potentially reduce the complexity of the process and hence, optimise help to SMEs. As the voice of businesses in Singapore, we are committed to bridging the public and private sectors to promote a more conducive enterprise environment. Through coordinated efforts with SBF and MTI's PEP, I am confident that the SBF-ASME Pro-Enterprise Clinic will propel enterprises on trajectories of growth and transformation."

"Compliance costs have always been a key business challenge for our companies," said Ho Meng Kit, CEO of SBF. "This issue is more critical for our SMEs than for large companies. Recognising that factors governing how businesses deal with each other are changing faster than regulations can, it makes sense to set up this additional channel so that we can bridge government and companies more effectively."

ISCA Run 2019: Run Like The Wind

And off they went!

Team KPMG

Team PwC

PREMISED UPON PROMOTING A HEALTHY LIFESTYLE and attaining work-life balance, the annual ISCA Run 2019 attracted more than 1,900 participants, the highest number of runners in the six-year history of the event.

Despite the light rain, avid runners gathered bright and early at OCBC Square on May 4. From the youngest five-year-old taking on the Kids' Obstacle Course to the most senior 75-year-old runner gearing up for the race, runners were all hyped up after the mass warm-up session. Going beyond healthy living and fostering camaraderie among the accountancy profession, the event also raised funds for ISCA Cares, which aims to provide needy Singapore youths with access to a quality education in accountancy.

In his welcome address, ISCA President Kon Yin Tong thanked runners for taking time out to participate in the run and announced the opening of ISCA Games 2019. "This year, 15 companies including those from the Commerce section will be participating across 30 different games to compete for the title of Overall Champion," he said, of the ISCA Games. The top four finishers of the 10-kilometre and five-kilometre categories in ISCA Run will be awarded points that will go towards their team's overall score for the Games.

Team JBS Practice

Team Keppel

70m Kids' Obstacle Course: Top finishers: Cayden Low (above), Skye Soo (left) and Lim Shang Yun (below)

Schiavo Sebastiao Carlos, 1st, 10km (Seniors category)

Wee Tong Eng (left), 3rd, 10km; Jimmy Lim, 2nd, 10km (Seniors category)

Sunuwar Jagadish, 1st, 5km (Men)

Marie Gauthier, 1st, 10km (Ladies)

Nimseh Gurung, 1st, 10km (Men), defending his first position in the same distance at ISCA Run 2018

J. Lossini, 1st, 5km (Ladies), defending her first placing for 5km at last year's ISCA Run

ISCA President Kon Yin Tong welcoming the participants

In the spirit of embracing sporting values and experiences, ISCA had also extended an invitation to participants from Special Olympics Singapore. Special Olympics is a global inclusion movement to end discrimination against and empower people with intellectual disabilities.

ISCA Advisor Teo Ser Luck, Mr Kon and ISCA Vice President Yvonne Chan flagged off the 10-kilometre and five-kilometre races, whose routes included the scenic views surrounding Gardens by the Bay and Marina Bay.

The 70-metre Kids Obstacle Course was a hit. Featuring a series of children-friendly activities that challenged the young participants' agility and speed, such as zigzagging past various cones and transferring balls on a spoon from one point to another, the children – and their supporters – had a good time sweating it out in friendly competition.

Also at the race village were other team and individual challenges to further engage the runners and supporters, organised by the ISCA Young Professionals Advisory Committee (YPAC). Participants had to compete in timed challenges such as coin tossing and generating the highest number of movements within a minute; the top performers walked away with attractive shopping vouchers.

The Kids' Obstacle Course engaged both the kids and adults

The race village was buzzing with action as the race finishers refuelled with bananas and energy drinks, while the "After Hours" band from KPMG provided the entertainment onstage. The ever-popular #ISCARun Photo Contest saw many participants whip out their handphones to snap their best shots.

ISCA CEO Lee Fook Chiew presented the medals and prizes to the top three podium finishers for the five- and 10-kilometre runs (Open and Seniors categories), as well as the Kids' Obstacle Course.

ISCA would like to thank all participants and sponsors for their support towards ISCA Cares, and their continuous involvement which made ISCA Run 2019 a huge success. More ISCA Run photographs can be found at the ISCA Facebook page.

WHAT PARTICIPANTS SAY...

"This is our first time participating in the ISCA Run and we are very excited to be working out with our friends and colleagues. It's a good platform to bond with everyone."
Kenneth Chuah (centre) and **Tan Ying Jie** (1st from right), Foo Kon Tan LLP

"I found out about ISCA Run through my company and have been training regularly to prepare for the big run. I'm feeling very well prepared and all ready to go!"
Sheena Ng, Keppel, before her flagoff

"This is the second year that we formed the Public Sector Finance team to participate in the ISCA Run. The annual event is an excellent platform where we get to bond with our public sector finance staff from across the different agencies, and also connect with other finance professionals from the industry. Congratulations to ISCA for organising yet another successful Run in 2019."
Wee Tee Heng, Attorney-General's Department

"My dad signed us up for the Kids' Obstacle Course and we have been excitedly waiting to run around and have fun!"
Sarth Tewari, 6 (left) and Parth Tewari, 10

"We, as part of OneSMP, set a target to score one point for the ISCA Games. This spurred us to train hard for the event. During the process, each of us had the opportunity to better understand ourselves and our team."
Lim Yeong Seng, Managing Partner, Kong, Lim and Partners LLP

SOCIAL MEDIA CONTEST

ISCA held a social media contest on Facebook and Instagram in conjunction with the ISCA Run 2019 theme of "Gather. Bond. Run." Participants with the highest number of likes and comments on their ISCA Run photos shared on Facebook or Instagram won CapitaLand Mall vouchers and a 12oz Hydro Flask sponsored by ISCA Run 2019 Official Hydration Vessel Partner, Hydro Flask. Congratulations to the following four winners: (from top left, clockwise) Chong Chee Bing, Lee Woon Kiat, Low Ying Yih and Ang Hui Loon.

isca breakfast talk

Lessons Learnt From The SingHealth Cyberattacks

A CYBERATTACK OF UNPRECEDENTED SCALE and sophistication in Singapore was suffered by Singapore Health Services Private Limited (SingHealth) in June-July 2018. In what is touted as Singapore's worst ever cyber data breach, hackers had stolen the personal data and medical records of 1.5 million citizens. Tan Shong Ye, Cyber & Digital Trust Leader, PwC Singapore, shared with the participants a summary of the key takeaways from the Public Report of the Committee of Inquiry (COI) on the SingHealth cyberattack.

With the exponential evolution of the cyber landscape in the past five years, not many companies have kept up their cybersecurity measures to address the extreme pace of change. Drawing from this, Mr Tan explained the key factors which led to the severity of this cyberattack.

Mr Tan emphasised that while it is not possible to prevent a cyberattack, it is possible to prevent the attacker from obtaining and exfiltrating data. In the SingHealth case, the report of an infiltration was made, but it was the failure to take appropriate action that led to the missed opportunity of preventing the loss of data.

Tan Shong Ye, Cyber & Digital Trust Leader, PwC Singapore, sharing the COI report made available online for all participants

Ellen Wong, Deputy Director, Membership Services Centre, ISCA, presenting a token of appreciation to the speaker

Mr Tan shared that partnerships between industry and government are key to achieving a higher level of collective security

Figure 1 Description of key findings from COI report

	Key Finding #1: Integrated Health Information Systems Private Limited ("IHiS") staff did not have adequate levels of cybersecurity awareness, training, and resources to appreciate the security implications of their findings and to respond effectively to the attack.
	Key Finding #2: Certain IHiS staff holding key roles in IT security incident response and reporting failed to take appropriate, effective, or timely action, resulting in missed opportunities to prevent the stealing and exfiltrating of data in the attack.
	Key Finding #3: There were a number of vulnerabilities, weaknesses, and misconfigurations in the SingHealth network and SCM system that contributed to the attacker's success in obtaining and exfiltrating the data, many of which could have been remedied before the attack.
	Key Finding #4: The attacker was a skilled and sophisticated actor bearing the characteristics of an Advanced Persistent Threat group.
	Key Finding #5: While our cyber defences will never be impregnable, and it may be difficult to prevent an Advanced Persistent Threat from breaching the perimeter of the network, the success of the attacker in obtaining and exfiltrating the data was not inevitable.

Mr Tan listed a few key actions that can be taken to prevent such incidents:

- **Regularly** conduct IT security risk assessment;
- **Enhance** security checks;
- **Review** the company's cyber stack;
- Ensure that the company's incident response process is **effective**.

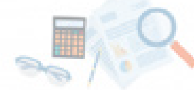
Concluding the session with a Q&A session, Mr Tan gave some tips on how small and medium-sized entities that have very limited resources can protect themselves against cyberattacks. One way would be to turn to their current cloud vendors as they may have the necessary securities in place. Firms would first need to understand and assess their cloud providers and cross-check their capabilities before engaging them.

MARK YOUR CALENDAR

12 JUN — ISCA Breakfast Talk: Financial Reporting Fraud in China

This session will provide first-hand insights into the detection, investigation and prevention of financial and accounting fraud in China. KPMG's Forensic Team will share practical methods to follow and key takeaways from real-life cases for an informative and lively session.

17 18&19 JUN — Apply Knowledge of Accounting-Related Concepts



Learn to apply the fundamental accounting policies to understand the implications on an organisation's finances, maintain a general ledger in accordance with sound bookkeeping practices, and prepare basic financial statements to provide information on financial positions and performance.

SkillsFuture Credit & SSG Funding approved

21-CPE Hour Training Package 2019
EXCLUSIVELY FOR ISCA MEMBERS

As part of the Institute's aspiration to encourage ISCA members to embrace professional development and plan their CPE training needs early, this 21-CPE Hour training package gives you everything you need to get started.

21-CPE hour training package at $838 nett, exclusively for ISCA members to enjoy a subsidized rate of up to 30%. More than 150 courses for you to choose from!

Register early to secure your seats! Seats are available on a first-come-first-served basis.

17 JUL — ISCA PAIB Conference 2019: Opportunities Amidst Transformations

Join us to be part of the largest accounting and finance conference attended by finance professionals in Singapore to take home the key trends you need to know in one day! Curated specially for the accountants in business, the PAIB Conference will discuss the opportunities amidst transformations from a global perspective, the implementation challenges of new accounting standards, and hot button issues affecting finance professionals in Singapore, as well as out of the region!

18 JUL — Financial Forensic and Cybersecurity Conference - Enhancing Resilience in the Digital Era

Forensic accountants in the private sector and investigators in law enforcement agencies are facing increasingly sophisticated white-collar crimes that require greater application of forensic technology and data analytics techniques. As the gatekeeper of financial crimes, accounting professionals need to expand their capabilities to stay ahead in this digital age. Featuring speakers and panellists from accounting firms, financial institutions and the public sector, such as IRAS, CID, CPIB, CSA and MAS, the Conference will explore how accounting professionals could partner with relevant stakeholders to detect and prevent financial crimes and enhance cybersecurity in their organisations.

Dates and events are subjected to change without prior notice.
For more details, visit www.isca.org.sg

Towards Greater Heights In Tax Excellence

SCALING UP FOR TAX EXCELLENCE essentially translates to the need for a strong grasp in the essentials of various tax topics. With transfer pricing (TP) and related party transactions being the hot topics in the world of tax, and as tax authorities continue to scrutinise such matters, TP documentation and benchmarking analysis were again explored at the latest *Tax Excellence Decoded (TED)* session. Organised by the Singapore Institute of Accredited Tax Professionals (SIATP), the session was facilitated by Adriana Calderon, Director of Transfer Pricing Solutions Asia, who shared her universal "golden rules" for benchmarking analysis with the participants, bringing to light the various tips and pitfalls of TP documentation.

Moving beyond the fundamentals of TP, the evolving concept of operational TP also has a stake in achieving a successful TP documentation. Showcasing an integrated approach in TP policy planning, participants were able to harness the essence of risk assessments and management framework in another session of *TED*. Facilitated by Accredited Tax Practitioner (Income Tax), Elis Tan, Executive Director of Transfer Pricing at BDO Singapore, the session highlighted the key elements of policy planning as well as the importance of managing compliance obligations in the TP calendar.

Adriana Calderon, Director of Transfer Pricing Solutions Asia, used an illustrated case study approach to explain the finer points of transfer pricing benchmarking

Accredited Tax Practitioner (Income Tax) Elis Tan answered questions on the operational aspects of TP

Presenting to a packed audience, Chan Hui Juan, Manager, IRAS, explored the various changes in Singapore's Reverse Charge regime

As 1 January 2020 steadily approaches, bringing with it the new requirements in the Reverse Charge and Overseas Vendor Registration regime, SIATP jointly organised a session with the Inland Revenue Authority of Singapore (IRAS) to further equip participants with the preparation essentials to manage the changes. Diving into the specifics of the e-Tax guides and the implementation processes, accredited tax professionals were given the opportunity to hear directly from the tax authority and obtain a better idea of the possible business implications.

With the multitude of events lined up to enhance participants' knowledge, the many insights shared placed tax professionals well on the journey towards tax excellence. Want to scale towards greater heights in tax excellence as well? Email enquiry@siatp.org.sg.

FCA (Singapore): A Mark Of Distinction

The Fellow Chartered Accountant of Singapore or FCA (Singapore) membership is a recognition accorded to long-standing senior CA (Singapore) members. A mark of distinction that signifies the epitome of professional achievement for accountancy professionals, it is the highest level of membership presented by the Institute.

This prestigious designation is typically awarded to CA (Singapore) members who have achieved 10 years of membership and five years of senior management experience.

In the last quarter of 2018 and first quarter of 2019, 12 members were conferred the FCA (Singapore) status. They are outstanding business leaders with extensive experience across various industries.

Heartiest congratulations on attaining this prestigious title!

Adrian Thomas
Chua Teng Aik, Adrian
Elizabeth Ng Sau Kheng
Hor Swee Liang, Kenneth
Jaslin Lau Poh Peng
Lim Boon Leong
Lim Wee Kiat
Ong Poh Tin
Sin Wan Lin
Tan Mui Tze
Tan Siok Hoon Katherine
Wong Hee Chai, George

" Originally, I did not think having an FCA title would make any difference to my career and hence, had procrastinated applying for the credential. However, being in the consultancy business, some clients are quite particular about your qualification and title. Having the FCA designation after my name on the name card catches their attention and helps get easier buy-in."

ELIZABETH NG SAU KHENG

"I am honoured to have been conferred the FCA (Singapore) title; it is an affirmation of my work which adds even greater credibility to my qualifications."

SIN WAN LIN

Over 500 members attended the AGM

FUTURE FIT

ISCA Annual General Meeting 2018/2019 Highlights

"This year, we are developing the ISCA Infrastructure Finance Qualification with EY, to equip members for finance roles in the dynamic infrastructure sectors. We are also exploring the development of a cybersecurity certificate programme, which will equip participants with competencies beyond the traditional field of accounting."

ISCA HELD ITS ANNUAL GENERAL MEETING (AGM) 2018/2019 ON APRIL 27 at Marina Mandarin Hotel. The huge attendance of over 500 ISCA members reflected the strong interest members have in keeping up to date with the Institute's latest developments and offerings. As in previous years, the AGM provided an ideal platform for the ISCA Council and management to meet with members and hear their views. This was also the incumbent ISCA President Kon Yin Tong's first AGM since taking over the helm last year.

As a member-centric organisation bringing value to the accountancy profession and wider community, members present at the AGM were given a snapshot of the Institute's key achievements during the past year, as well as upcoming initiatives designed to add value to the ISCA membership.

The AGM also saw the re-election of four current members and election of four new members to the ISCA Council. The four re-elected members are Yvonne Chan Mei Chuen, Finance Director, Enterprise Singapore; Darren Tan Siew Peng, Chief Financial Officer, OCBC Bank; Kelvin Tan Wee Peng, Independent Director, and Roger Tay Puay Cheng, Head of Audit, Partner, KPMG LLP. The four new members are Ho Kuen Loon, Group Chief Operating Officer and Managing Director for Singapore, Fullerton Health Corporation; Tan Kuang Hui, Chief Executive Officer and Managing Partner, Crowe Horwath First Trust LLP; Don Wee Boon Hoong, Senior Vice President, United Overseas Bank Limited, and Christopher Wong Mun Yick, Head of Assurance and Audit Partner, Ernst & Young LLP.

The election of the ISCA Council members took place at the AGM. Following the election, the Council elected Roger Tay Puay Cheng as ISCA Treasurer.

In the days ahead, ISCA will continue to develop itself into a world-class member-centric organisation. That was the key message shared by Mr Kon in his address to the members present. For members who could not join us that day, here is an excerpt of his AGM address.

RECAP OF 2018/2019 ACHIEVEMENTS

"2018 has been another fulfilling and successful year for ISCA as we continue working towards becoming a world-class Institute. I am pleased to share some of our key achievements in 2018 with you as well as some initiatives lined up for 2019.

Preparing Members for the Future

To enable our members to take charge of their professional development, we

Members catching up with one another

> "Besides conferences and seminars, we continue to produce guidance materials to promulgate our views and guide the profession on the application of accounting standards on emerging issues and new accounting standards."

ISCA members perusing the annual report

have produced learning roadmaps to guide our members in mapping their professional development journeys and continued to expand our online learning offerings for members who prefer learning anytime, anywhere.

The Professional Accountants in Business or PAIB Framework and corresponding PAIB Learning Roadmap guide financial and management accountants on requisite competencies and skills for different proficiency levels, while the small and medium-sized practice or SMP Learning Roadmap describes the skill sets and related learning needs for audit professionals in SMPs.

We also kept members informed of the latest developments in the profession via the Singapore Accountancy and Audit Convention or SAAC Series. Last year, for the first time, we lined up a series of conferences under the SAAC banner – ISCA Budget Update Seminar, Practitioners Conference, Technology Conference, PAIB Conference and Singapore Accountancy Awards. Each event was targeted at specific audience segments, in line with our goal to be a member-centric organisation.

Sharing views and seeking clarifications

This year, we will continue to hold the SAAC Series, the first of which was the ISCA Budget Update Seminar which took place last month. On July 17, for the accountants in business, we will have the PAIB Conference. With the theme of "Opportunities Amidst Transformations", the Conference will feature leaders and experts speaking on topical issues impacting finance professionals. On July 18, we will have the Financial Forensic and Cybersecurity Conference, which will explore the impact of digitalisation on financial crime investigations, fraud detection and prevention, and cybersecurity issues for businesses. You will have the opportunity to hear from prominent leaders from the enforcement, regulatory, information technology and financial forensic fields regarding topics such as digital forensics, data analytics, cyber and data security.

Besides conferences and seminars, we continue to produce guidance materials to promulgate our views and guide the profession on the application of accounting standards on emerging issues and new accounting standards. This year, we will be developing practical guidance publications on topics like initial coin offerings and the use of data analytics in financial statements audits.

Specialisation Pathways to Deepen Members' Expertise

To deepen our members' expertise and build skills in high demand areas, last year, we introduced more specialisation pathways to enable our members to broaden their career options.

Launched in January 2018, the ISCA-SUSS Business Analytics Certification Programme enables members to deepen their skill sets in data analytics. The Programme has been well received, with 168 candidates to date.

In addition, the ISCA Financial Forensic Accounting Qualification was launched in March 2018. The Qualification provides members with the latest skills in financial forensics. As at 31 March 2019, we have received close to 200 applications and successfully admitted about 150 candidates into the Qualification.

This year, we are developing the ISCA Infrastructure Finance Qualification with EY, to equip members for finance roles in the dynamic infrastructure sectors.

We are also exploring the development of a cybersecurity certificate programme, which will equip participants with competencies beyond the traditional field of accounting.

Supporting SMPs

Besides our members who are accountants in business, we will continue to develop programmes to help our SMPs build capabilities and improve productivity. For example, ISCA is partnering Enterprise Singapore to drive industry transformation under the Local Enterprise and Association Development programme or LEAD. Under the LEAD programme, we continue to encourage adoption of the Audit Singapore software, which enables SMPs to automate and streamline their audit work flow.

To support audit professionals from SMPs in carrying out group audits, ISCA also published the "ISCA Audit Manual for Group Entities". The Manual helps audit professionals apply Singapore Standards on Auditing in group audits.

Following ISCA's Practice Leadership Workshops held in 2018, ISCA and Singapore Accountancy Commission will collaborate to organise a six-month SMP Leadership Programme to provide a structured and formalised professional development pathway aimed at developing selected individuals of SMPs in leadership capabilities. This Programme aims to improve the competitiveness of SMPs, provide tactical and practical assistance to enhance the quality of SMP services and showcase best practices. The Programme is targeted for launch in September this year and registration details will be available by June.

Digital Badges for Members

Apart from programmes for SMPs, I am pleased to share with you an upcoming development that will benefit all members and showcase their credentials. ISCA is keeping our members relevant in the digital age by providing them a visible, verifiable and sharable recognition of their membership milestones, professional skills and competencies.

As part of the Member Recognition Programme to enhance the prestige and recognition of the ISCA membership, digital badges will be issued to members who have been with the Institute for 10, 20, 30 and 40 years, in recognition of their membership milestones and loyalty. Next year (calendar year 2020), ISCA will issue digital badges to recognise members' professional achievements acquired in a learning environment. These will include the ISCA Financial Forensic Accounting Qualification and the upcoming ISCA Infrastructure Finance Qualification.

Heightening Global Recognition of ISCA and ISCA Members

Beyond our initiatives to advance the accountancy profession in Singapore, we have enhanced our prominence on the global platform. In an increasingly globalised world, it is important for the Institute to ensure our brand visibility not just across the ASEAN region but also internationally.

ISCA representatives shared our views at the United Nations

Conference on Trade and Development in May and October 2018. I spoke at the 2018 World Congress of Accountants, in my capacity as the President of the ASEAN Federation of Accountants, about the profession's role in supporting the growth of Southeast Asia as an economic region.

Together with the Accounting Standards Council, we organised the 10th annual Asian Oceanian Standard-Setters Group meeting, which brought together representatives from 20 national accounting standard-setters in the Asian-Oceanian region as well as representatives from the International Accounting Standards Board and the International Financial Reporting Standards Foundation.

In November 2017, the Monitoring Group, a global body that aims to raise audit quality and international audit standard-setting, issued a consultation paper on ways to enhance the international audit standard-setting process. As part of an international series of roundtables by the Monitoring Group, I represented ISCA to give our views on the consultation. Subsequently, ISCA hosted a roundtable in Singapore in June last year, to facilitate discussion regarding the proposals from the consultation.

Connecting Members to Overseas Opportunities

We have also intensified our role as a leading professional accountancy body in ASEAN. As part of our Memorandum of Understanding (MOU) with the Lao Chamber of Professional Accountants and Auditors to co-develop the accountancy sector in Lao PDR, we continued to conduct training for Lao government officials.

Supported by Temasek Foundation International and developed in partnership with the Lao Ministry of Finance, the ISCA-Temasek Foundation Public Administration Programme in Accountancy trains senior and mid-level Lao government officials in leadership and accountancy skills.

Similarly, ISCA has held training programmes in Myanmar, following our MOU with the Myanmar Institute of Certified Public Accountants (MICPA) in 2017 to co-develop the accountancy profession in Myanmar through capability-building programmes.

In 2018, the Institute conducted training on the "ISCA Audit Manual for Standalone Entities" for MICPA members. Following positive feedback, MICPA requested ISCA to conduct another training on the "ISCA Audit Manual for Group Entities" in May 2019.

The Institute is also working with the Vietnam Association of Certified Public Accountants on an MOU regarding the country's adaptation and translation of the "ISCA Audit Manual for Standalone Entities". Cambodia's accounting standard-setting body, National Accounting Council, has also expressed its intention to legislate for the use of ISCA's Micro Accounting Model in the country. These activities reaffirm ISCA's role as a regional thought leader in accountancy.

The Institute is also looking to recruit ISCA members who are either based in ASEAN or conduct business in ASEAN to be ISCA ASEAN Ambassadors. These Ambassadors will promote ISCA to the overseas business and accountancy community. Through the Ambassadors, the ASEAN market can get to know the ISCA brand. Members will benefit from access to a wider and more diverse network in the ASEAN markets, bringing more business and employment opportunities.

Another initiative involves organising overseas business missions that enable practitioners from SMPs to explore opportunities overseas and support them in their internationalisation efforts. In 2018, we organised a business mission to the United Kingdom (UK), where delegates visited Accountex UK 2018, the country's largest accounting tradeshow.

As ISCA elevates its brand internationally, the stature and employability of Singapore accountants will correspondingly be enhanced globally. Through our efforts, we aim to open more doors for our members in the global marketplace, offering them greater career portability, market access and professional recognition.

▼ ISCA President Kon Yin Tong shared the Institute's achievements and upcoming initiatives

"During my tenure as ISCA President, I hope to develop the Institute into a world-class organisation that embodies the following elements – inclusiveness, innovation, infrastructure and impact."

▲ ISCA Council members at the AGM

Looking Ahead

During my tenure as ISCA President, I hope to develop the Institute into a world-class organisation that embodies the following elements – **inclusiveness, innovation, infrastructure** and **impact**.

A world-class Institute is one that the profession and market would look to, to champion certain areas in thought leadership, deep technical expertise or development of our members.

Being member-centric means placing our members at the core of what we do. For example, to ensure that our members can access our services and information easily, we will be revamping our website to be more user-friendly and will roll out a mobile app for on-the-go convenience. We will continue to enhance our CPE offerings too.

By **inclusiveness**, we will strive to ensure that the needs of all segments of our membership are well taken care of. To that end, we have a range of service offerings to meet our members' diverse needs.

Innovation means we constantly deliver new and relevant offerings centred on enhancing member-centricity and improving productivity.

Infrastructure refers to the systems and services we have in place for our members to plan their development and achieve their career aspirations. Obviously, technology is going to play a major role.

The last element is **impact**. Impact refers to how we execute our strategy – by focusing on what matters most and creates value for our members.

Together, these four elements work synergistically to further our mission to advance and promote the accountancy profession and contribute to Singapore's aspiration to be a leading global accountancy hub, be the voice for our members and the profession, and empower members to achieve their aspirations.

Conclusion

In closing, I would like to thank all members for your unwavering support all these years. It has been an honour serving you alongside my fellow Council members, as well as the ISCA management team and staff."

NEW AND RE-ELECTED COUNCIL MEMBERS

RE-ELECTED COUNCIL MEMBERS

YVONNE CHAN MEI CHUEN,
FCA (Singapore)
Finance Director,
Enterprise Singapore

Yvonne Chan Mei Chuen is a Fellow Chartered Accountant of Singapore, serving as Vice President and Executive Committee member of ISCA since 2018. She has served as Chairperson of the ISCA Continuing Professional Education Committee since 2017.

Ms Chan was the Chief Financial Officer and Director (Corporate Development) of the Maritime and Port Authority of Singapore (MPA), an organisation she joined in 2008. In that role, she was in charge of six departments comprising General Accounting, Financial Planning and Analysis, Procurement and Administration, Facilities Management, Service Quality and Organisational Excellence. During her tenure with MPA, Ms Chan was appointed Quality Service Manager, Chief Data Officer, Sustainability Champion and Agency Change Leader. Prior to MPA, she was in the private sector for 14 years, with experience spanning oil and gas, IT and media industries. She started her new role as Finance Director of Enterprise Singapore on 29 April 2019.

Ms Chan completed the UCLA-NUS Executive Master of Business Administration under the MPA post-graduate programme and Ministry of Transport Beacon scholarship.

DARREN TAN SIEW PENG,
FCA (Singapore)
Chief Financial Officer,
OCBC Bank

Darren Tan Siew Peng is a Fellow Chartered Accountant of Singapore. He has served in the ISCA Council since 2017. He is also Chairman of the ISCA Investment Committee, and a member of the ISCA CFO Committee.

Mr Tan was appointed Executive Vice President and Chief Financial Officer (CFO) of OCBC Bank in December 2011. As CFO of OCBC, he oversees financial, regulatory and management accounting, tax, treasury financial control, corporate treasury, funding and capital management, corporate planning and development and investor relations. He joined OCBC in March 2007 as Head of Asset Liability Management in Global Treasury and assumed the role of Deputy CFO in May 2011. Prior to joining OCBC, Mr Tan worked for 13 years at the Government of Singapore Investment Corporation (GIC), with his last position at GIC as Head of Money Markets.

Mr Tan graduated with First Class Honours in Accountancy from Nanyang Technological University (NTU) and is a Chartered Financial Analyst. He is currently an Adjunct Professor at Nanyang Business School, NTU. Mr Tan was awarded the Singapore Corporate Awards Best CFO in 2017 and FinanceAsia Singapore Best CFO in 2016.

KELVIN TAN WEE PENG,
FCA (Singapore)
Independent Director

Kelvin Tan Wee Peng is a Fellow Chartered Accountant of Singapore, serving as Secretary and Executive Committee member of ISCA since 2018. He is a member of the ISCA Investment Committee, ISCA Nominations Committee, ISCA Corporate Governance and Risk Management Committee, and ISCA Continuing Professional Education Committee. He also serves as Advisor to the ISCA Young Professionals Advisory Committee.

Mr Tan has more than 30 years of professional experience and has held senior management positions at AETOS Security Management, PSA International, and Temasek Holdings. He was a consultant advising companies investing in China and also served in the Singapore Police Force.

A Local Merit Scholar (Police Service), Mr Tan holds a Bachelor in Accountancy (First Class Honours) and a Master in Business Administration from National University of Singapore (NUS). He attended the Programme for Management Development at Harvard Business School. Mr Tan currently holds directorship appointments and advisory positions at numerous private and public-listed companies. He is an investment director with Makara Capital Partners and an Adjunct Associate Professor with NUS Business School. Mr Tan is also a member of the Singapore Institute of Directors.

ROGER TAY PUAY CHENG,
FCA (Singapore)
Head of Audit, Partner,
KPMG LLP

Roger Tay Puay Cheng is a Fellow Chartered Accountant of Singapore, serving as Treasurer and Executive Committee member of ISCA in 2019. He is a member of the ISCA Investment Committee and ISCA Nominations Committee. He was also the Chairman of the ISCA Membership Committee and a member of the ISCA Singapore Monitoring Committee.

Mr Tay has over 25 years of experience in the provision of audit services, servicing multinational and public-listed companies from a wide range of industries. He has acted as reporting accountant for companies undertaking the Initial Public Offering and Reverse Takeover exercise. Leveraging his extensive experience in serving public and private companies, Mr Tay has led numerous corporate structuring work involving the repositioning of the corporate structure and implementation of the group structuring plan. In addition, he acts as liquidator, judicial manager, and receiver and manager for several high profile insolvency engagements.

Mr Tay holds a Bachelor of Accountancy (Honours) from National University of Singapore. He is Associate of the Insolvency Practitioners of Singapore Limited, as well as Accredited Mediator with Singapore Mediation Centre (SMC). He has been admitted to the principal panel of mediators at SMC.

NEW COUNCIL MEMBERS

Ho Kuen Loon is a Chartered Accountant of Singapore. He was a member of the ISCA Membership Committee from 2014 to 2018.

Mr Ho is the Group Chief Operating Officer as well as Singapore Managing Director for Fullerton Health Corporation. Before his current appointment, he was Fullerton Health Corporation's Group Chief Control, Risk & Corporate Development Officer, as well as Regional Managing Director for Australia and Indonesia from 2015 to 2018, and Group Chief Financial Officer (CFO) from 2013 to 2015. Prior to joining Fullerton Health Corporation, Mr Ho was Group CFO of Keppel Integrated Engineering from 2011 to 2013. He had formerly worked as Management Consultant with McKinsey & Company and Insoght LLC.

Mr Ho holds a Bachelor of Accountancy from Nanyang Technological University, as well as a Master of Business Administration from Harvard Business School. He is a Chartered Financial Analyst.

HO KUEN LOON,
CA (Singapore)
Group Chief Operating Officer and
Managing Director for Singapore,
Fullerton Health Corporation

Tan Kuang Hui is a Chartered Accountant of Singapore. He has been a member of the ISCA Investigation and Disciplinary Panel since 2013.

Mr Tan has over 24 years of experience in the audit and financial consulting services, providing audit and financial consulting services to a broad range of clients including financial institutions, technology, manufacturing, trading, publishing and agricultural companies.

As Chief Executive Officer and Managing Partner of Crowe Horwath First Trust LLP, Mr Tan leads a company comprising 11 partners and approximately 200 professionals. He is particularly well versed in business in the People's Republic of China, and in accounting and tax matters. Mr Tan is currently a member of the Board of Directors of Crowe Global.

Mr Tan holds a Bachelor of Accountancy from Nanyang Technological University. Under his leadership, Crowe Horwath First Trust LLP achieved the Best Practice Award in 2016, and the Best Growth Award in 2018, at the Singapore Accountancy Awards.

TAN KUANG HUI,
CA (Singapore)
Chief Executive Officer
and Managing Partner,
Crowe Horwath First Trust LLP

Don Wee Boon Hoong is a Chartered Accountant of Singapore and an ASEAN Chartered Professional Accountant. He is a member of the ISCA Continuing Professional Education Committee and was formerly a member of the ISCA Young Professionals Advisory Committee from 2015 to 2017.

Mr Wee is a Senior Vice President of United Overseas Bank Limited. Prior to UOB, Mr Wee was Senior Vice President of HSBC. He has been involved in the accountancy profession as a Workshop Facilitator and an Exam Marker for the Singapore Chartered Accountant Qualification.

Mr Wee holds a Master of Business Administration as well as a Master of Public Administration. He has also completed the Chartered Valuer & Appraiser Programme.

DON WEE BOON HOONG,
CA (Singapore)
Senior Vice President,
United Overseas Bank Limited

Christopher Wong Mun Yick is a Fellow Chartered Accountant of Singapore. He has been a member of the ISCA Investigation and Disciplinary Panel since 2016.

Mr Wong is the Head of Assurance and Audit Partner in Ernst & Young LLP. He is also a Board and Audit Committee member of Trailblazer Foundations Ltd, and a member of the Accounting Advisory Board of National University of Singapore (NUS) Business School.

Mr Wong has been a member of the Financial Reporting Technical Advisory Panel at the Accounting and Corporate Regulatory Authority since 2017. He was also a Council member of the Accountancy Sector Research Centre Advisory Council at Singapore Accountancy Commission from 2013 to 2015.

Mr Wong holds a Bachelor of Accountancy from NUS, as well as a Master of Business Administration from International Management Centre, United Kingdom.

CHRISTOPHER WONG MUN YICK,
FCA (Singapore)
Head of Assurance and Audit Partner,
Ernst & Young LLP

CO-OPTED COUNCIL MEMBER

Balasubramaniam Janamanchi is a Fellow Chartered Accountant of Singapore and an approved Liquidator. He served as Treasurer and Executive Committee member of ISCA in 2018. He is also a member of the ISCA Public Accounting Practice Committee, ISCA Auditing and Assurance Standards Committee and ISCA Ethics Committee while being actively involved in various committees in Singapore Accountancy Commission, Singapore Institute of Directors and Singapore International Chamber of Commerce.

Mr Janamanchi has more than 25 years of comprehensive multi-industry experience in external and internal audit. His professional duties cover a wide range of services including the provision of auditing, accounting, financial advisory and management consultancy services to a wide diversity of clients.

Mr Janamanchi is also an ASEAN Chartered Professional Accountant. ISCA

BALASUBRAMANIAM JANAMANCHI,
FCA (Singapore)
Managing Partner/Director,
JBS Practice PAC

"The ability to understand and manage financials is an essential skill for leaders of a company. Hence, Chartered Accountants are equipped with a necessary skill for leadership. As ISCA sets a standard valued by the market, ISCA members would also benefit from this halo effect."

MEMBER PROFILE

HER SEAT AT THE TABLE

DESPITE HAVING RETIRED IN 2006, Euleen Goh, 64, is as busy as ever. The former Chief Executive Officer (CEO) of Standard Chartered Bank Singapore has her hands full with various board roles in the private, public and not-for-profit sectors – and she wouldn't have it any other way. "I'm blessed to have a great portfolio of roles. The people I work with and meet get me excited and charged up every day. I'm usually tired by day's end, and that's probably why I'm able to sleep well," says Ms Goh.

Euleen Goh, FCA (Singapore), Chairman, SATS Ltd

A trailblazer in more ways than one, she has broken through the glass ceiling by successfully filling top leadership positions in the workplace, and she continues to actively contribute to the accountancy fraternity and the wider community. Ms Goh's achievements have not gone unnoticed by ISCA, and she was presented with the inaugural Special Recognition Award at the Singapore Accountancy Awards 2018.

FOLLOWING HER INNER COMPASS

"An aptitude for logical thinking and numbers" provided the initial motivation for Ms Goh's career in accountancy. However, once she became an auditor and started moving from assignment to assignment, she realised that what she enjoyed most about her job was the opportunity to work with other members of the audit engagement team and with clients. This attribute, as it turned out, would prove to be decisive in her career journey.

"I believe there is within each of us an internal compass that furnishes us with a sense of direction in our lives, and guides us to where we want to go. In my case, this is underpinned by my Christian faith, which has served as a foundation for my life. The two wings of the compass, so to speak, represent my adventurous nature and my willingness to work with people." Ms Goh elaborates, "In today's complex world, few individuals have the full set of skills necessary to succeed in the workplace on their own. Building a team with complementary skills, and aligning your team around a common purpose, is fundamental to success."

Never one to shy away from new experiences, Ms Goh eventually left audit for the broader business world. A short stint as Chief Financial Officer of a real estate company was followed by her entry into the banking sector, where she really came into her own. Ms Goh spent 21 years with Standard Chartered Bank – a long period marked by economic ups and downs, with valuable lessons at every turn. She made it to the bank's top echelons, most notably as Global Head of its Corporate and Institutional Banking Sales division and thereafter, as CEO of its Singapore unit, before her retirement in 2006.

CAREER HIGHLIGHTS

1999 to 2001
Group Head, Corporate and Institutional Banking Sales, Standard Chartered Bank

2001 to 2006
CEO, Standard Chartered Bank Singapore

2005 to 2008
Chairperson, International Enterprise Singapore

2006 to 2012
Director, Singapore Exchange

2006 to 2013
Director, Singapore Airlines

2007 to 2011
Chairperson, Accounting Standards Council

2008 to 2015
Chairperson, Singapore International Foundation

2008 to Present
Director, DBS Group Holdings and DBS Bank

2009 to 2012
Director, Aviva

2011 to Apr 2019
Director, CapitaLand

2014 to Present
Chairperson, DBS Foundation
Director, Royal Dutch Shell
Director, Singapore Health Services

2016 to Present
Chairperson, SATS

2018 to Present
Chairperson, Singapore Institute of Management

"These roles stretched me significantly, and there were many in the organisation who gave me support and guidance along the way," says Ms Goh, who was one of the first Singaporean women to hold such high-profile positions in the financial sector, let alone in Standard Chartered Bank. "At every pivot of the company's journey, I gained experiences and insights which stood me in good stead as the company upskilled its people and gave us many opportunities to grow and progress."

PROMOTING BOARD DIVERSITY

Today, Ms Goh is a highly sought-after board member. She currently holds non-executive directorships (two in the role of chair) in a wide range of organisations, including DBS Group Holdings and DBS Bank, oil giant Royal Dutch Shell, Singapore Health Services Pte Ltd, leading inflight meal caterer SATS as well as the Singapore Institute of Management. In some cases, she was the first Asian or the first woman to be appointed to these boards.

Board gender diversity is an issue that Ms Goh feels strongly about, and she is happy to dole out advice to female executives with boardroom aspirations. "Be clear about how you see yourself value adding to a company at the board level. Ask yourself, 'How can I make a difference to the board, not just as a woman but through my strengths?'"

> **"If your target is to get a higher paying job or to become a partner in your firm, that's great – as long as you have fun and seek diverse experiences along the way. When you wake up feeling excited about the day, and approach every moment as an opportunity to learn and grow, it will take you to places you never imagined."**

she proffers. For example, individuals who have amassed a lot of international work experience could bring this to the fore during board interviews.

She also brings up the tendency among Asians, and Asian women in particular, to be self-effacing and tamp down their leadership ambitions. "Be forward in asking for a board role with all contacts and network for it," urges Ms Goh. Likewise, she adds, one must be willing to take on new job demands and workplace challenges, even if it may initially seem beyond one's capabilities.

"If you feel 100% ready for a new job, then the truth is you might be over-skilled for it," she points out. "It's better to look for a job where you feel 50% ready, so that you have an opportunity to learn new things and improve your skill set, while also expanding your role. Not all journeys are comfortable; some will be painful. What matters most is that the journey is a worthwhile one, not just for you but for those around you."

Lastly, Ms Goh underlines the importance of board experience across all types of organisations, including non-listed companies, statutory boards and the nonprofit sector. "If your dream is to join the board of a listed company, that doesn't mean you should turn down a board position elsewhere; otherwise, you might end up waiting for an opportunity that never comes," says Ms Goh. "Provided the position is a good fit for you, it's useful to get some board experience under your belt first. You are bound to learn some lessons about leadership in whatever role you have."

The good news for Chartered Accountants (CAs) is that they already possess a key trait for board appointments. "The ability to understand and manage financials is an essential skill for leaders of a company. Hence, CAs are equipped with a necessary skill for leadership. As ISCA sets a standard valued by the market, ISCA members would also benefit from this halo effect," explains Ms Goh. Other skills, such as effective communication and familiarity with business operations, can be acquired along the way by branching out into other functions outside audit and engaging with different groups of stakeholders.

A LIFE FULLY LIVED

Ms Goh's board responsibilities also extend to the not-for-profit arena. In addition to having sat on the boards of Singapore Chinese Girls' School (her alma mater) and NorthLight School (which caters to students who are less academically inclined), she is also the founding Chairperson of DBS Foundation, the bank's philanthropic arm. Dedicated to championing social entrepreneurship, DBS Foundation supports social enterprises across Asia through various means, including awarding grants as well as encouraging DBS staff and customers to engage their services at corporate functions.

Her desire to give back to society was largely inspired by a book written by the late Bob Buford, *Halftime* (first published in 1995). "The book encourages us to take a personal 'timeout' after the first half of our lives – to take stock of what we have accomplished so far and to think about how we can create a more significant impact in the second half of our lives. As the book explains, we aren't all cut out to be Mother Teresa, but we can still make a difference through our own stations in life," says Ms Goh. "It is incumbent on all of us to help others, especially those most in need, in ways big and small."

This idea of a life of two halves also ties in with Ms Goh's long-term outlook on life. "Life is a marathon, not a 100-metre race. The best way to last the distance is by enjoying the journey, rather than just focusing on the outcome," she advises. "If your target is to get a higher paying job or to become a partner in your firm, that's great – as long as you have fun and seek diverse experiences along the way. When you wake up feeling excited about the day, and approach every moment as an opportunity to learn and grow, it will take you to places you never imagined." ISCA


BY TAN HOW CHOON AND LEE ZHEN NI

COMBATING WHITE-COLLAR CRIME?

Cutting-edge Digital Skills And Timeless Ethical Values Needed

WHITE-COLLAR CRIMES ARE INCREASINGLY SOPHISTICATED and transnational. The nature and scale of recent cases have been mind-boggling. In April 2018, forensic accountants from RSM Corporate Advisory highlighted issues involving possible roundtripping transactions, fabrication and alteration of transaction documents, as well as possible fraudulent and erroneous claims under the Productivity and Innovation Credit (PIC) tax scheme, with the involvement of senior company officers at a local listed company, Trek 2000 International. In December 2017, Keppel Offshore & Marine (Keppel O&M) agreed to pay US$422 million (S$567 million) to resolve a foreign bribery investigation involving authorities across three jurisdictions.

According to the Commercial Affairs Department (CAD) annual report[1] released in November 2018, the number of suspicious transaction reports submitted in 2017 was 35,471, which is a 4% increase from the previous year. In 2018, the Corrupt Practices Investigation Bureau (CPIB) received 358 corruption-related reports or 3% lower than in 2017.[2] But, there was a 4% increase in the number of new registered cases for investigation and 88% of these cases involved private sector individuals. With Singapore's position as an international financial centre, there is increased risk of the country being exposed to cross-border money laundering and terrorist financing activities. The advancement of technology has added to the complexities of such financial crime.

To safeguard Singapore's position as a financial hub, forensic accountants or professionals are more in demand than ever. The role of forensic accountants goes beyond traditional accounting, and specialised skills and competences are required as they take on some of the most challenging assignments to detect and counter fraud. There is a distinctive advantage that forensic accountants, with their business acumen, insights into financial statements and information analysis and knowledge of corporate governance, have in white-collar crime investigation over investigators who are non-accounting trained in white-collar crime investigation. Forensic accountants could be working internally within their organisations or with clients on suspected fraud investigations, strengthening internal control, fraud management and compliance frameworks or investigating white-collar crimes including financial statement fraud, misappropriation of funds, money laundering or activities surrounding the funding and financing of terrorism.

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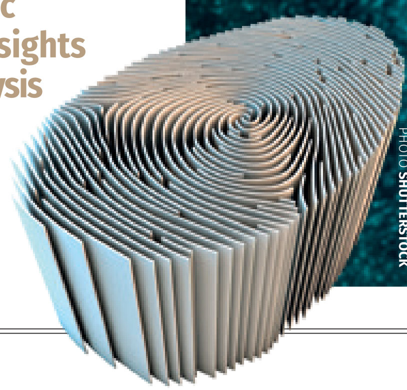


PHOTO SHUTTERSTOCK

[1] Annual Report 2017, Commercial Affairs Department, Singapore Police Force

[2] "Singapore Remains One of the Least Corrupt Countries in the World", 25 April 2019, CPIB

FRAUD PREVENTION STARTS WITH HIRING FOR INTEGRITY

Integrity is key to financial crime prevention. Corporate governance and fraud risk management work well only with the right tone at the top, which will then cascade down to individual staff members of each organisation. Collusion at the senior management level will render any governance and internal controls ineffective. Therefore, recruiting personnel with integrity to fill key senior management positions is of utmost priority. The emphasis on care and prudence in governance and financial management within an organisation will reduce the opportunities presented to individuals to commit fraud, but it will not eradicate the pressure and rationalisation factors that influence fraudulent behaviour.

In the prevention of financial crime, organisations are increasingly aware of the importance of a robust fraud risk management framework. This requires more than effective internal controls as it also requires ongoing assessment based on a fraud risk management framework, mitigating anti-fraud controls, continuous monitoring of controls using digital tools, identification of red flags early and effective responses to fraud incidents when they occur to reduce the impact of such incidents. Digital technologies, deployed in investigations, are also used by organisations during ongoing monitoring of anti-fraud controls to identify fraud signals through links to accounting systems for extraction of data and scheduling of message alerts based on business rules for appropriate follow-up. Examples of such fraud signals include risky business partners and vendors as well as anomalies from past transactional data.

DIGITAL SKILLS ARE PART OF THE FORENSIC ACCOUNTANT'S TOOLKIT

To uncover and detect financial crime, forensic accountants employ various investigative techniques in the gathering and management of evidence and documents to provide litigation support for criminal prosecution, such as those identified in Trek 2000 International and Keppel O&M. Today, forensic accountants tap on data analytics and forensic software to gather the necessary evidence from the voluminous data generated in today's businesses.

In the Trek 2000 International forensic review, RSM found that certain sales to two companies, T-Data Systems and S-Com HK, were not properly justified, and roundtripping transactions caused overstatements of revenue, cost of sales and profits. Roundtripping fraud, a type of financial statement fraud to fabricate fictitious transactions with no real economic value created, is generally committed by senior management staff who have the authority and whose remuneration is linked to the performance of the business. Forensic accountants leverage forensic software to uncover roundtripping fraud. The functions of such software include link analysis, which analyses the correlation between various types of objects; keyword indexing and search capability of hard disk documents; recovery of deleted files and reconstruction of missing data from the hard disk, and the review of log files in the server or personal computers. Evidence can also be picked up from the perpetrator's electronic footprint through his or her access of the Internet and social media.

PHOTO SHUTTERSTOCK

RSM's review of Trek 2000 International found strong indications that bank advice amounting to US$250,000 and US$2.4 million were digitally altered to deceive and mislead the auditors. The use of digital tools also plays a key role in the detection and prevention of the fabrication and alteration of transaction documents. Data analytics software that incorporates artificial intelligence (AI) increases the efficacy in detecting such fraud as it has the capability to combine business rules, predictive modelling, anomaly detection, text mining and network link analysis to uncover hidden relationships and patterns of behaviour. Significant losses from fabrication and alteration of transaction documents can be prevented by identifying hidden relationships, subtle patterns of behaviour and suspicious activities using AI and data analytics.

Starting from 2001, for more than 10 years, Keppel O&M "knowingly and wilfully" paid bribes to win a total of 13 contracts with Petrobras and Sete Brasil. Detection of bribery and corruption is challenging as it usually involves willing parties who have decided to collude with each other. As such, corruption and bribery can still occur in organisations with sound corporate governance and internal controls. Uncovering bribery and corruption evidence generally involves tip-offs, and the analysis of bribery and corruption amounts in accounting records. In the case of Keppel O&M, the bribes amounting to millions of dollars were disguised as large commissions to a consultant under legitimate consulting agreements.

In CPIB's annual report 2017 (cited earlier), the agency had highlighted the need for investment in terms of support capabilities and officers' skills such as interview, financial investigation and digital forensics. It was also mentioned that CPIB has a highly specialised unit which conducts financial investigations to enable swift identification, tracing and confiscation of corrupt proceeds. The involvement of CPIB's Computer Forensics Branch is crucial in providing support to investigations, which is increasingly important in today's digital age as information and evidence will be stored in digital form.

With technology transforming the nature of financial crime and forensic investigations, today's investigators and forensic accountants must possess not only strong financial statements analysis capabilities and deep knowledge of corporate governance, they need cutting-edge digital skills. However, no matter how rapidly the world changes, ethics and integrity, which are the cornerstone of the accountancy profession, remain timeless and ever more relevant. ISCA

Register now!

With the theme "Enhancing Resilience in the Digital Era", the Financial Forensic and Cybersecurity Conference on July 18 aims to provide insights into the impact of digitalisation on financial crime investigations, fraud detection and prevention, and cybersecurity issues affecting businesses. For the programme outline and other details, please visit http://isca.org.sg/ffcc2019.

Tan How Choon is Deputy Chairperson, ISCA Financial Forensic Accounting Oversight Committee, and Lee Zhen Ni is Senior Manager, Professional Development and Learning, ISCA.

BY LOKE HOE YEONG

E-PAYMENTS AND CASHLESS SOCIETIES

PART 1

Macroeconomic Implications Of A Cashless Society: Observations From China And Sweden

MOST PEOPLE ARE VERY FAMILIAR WITH THE BENEFITS OF A CASHLESS SOCIETY BY NOW. Hardly a day passes without the media around the world reminding readers of how e-payments can bring about a decrease in the transaction costs that are associated with the handling of cash, or how businesses can gain consumer insights from data collected from e-payment transactions. Equally, most are also cognisant of the dangers of socioeconomic exclusion in a fully cashless society. For people who cannot afford mobile phones or who cannot open bank accounts for one reason or another, it means not being able to make even simple transactions like buying food or other basic necessities.

But there are deeper implications to a cashless society beyond just faster transactions and attractive reward point systems that an e-payment platform enables. These implications are not necessarily good or bad, but they should be better understood.

Given the borderless nature of e-payments and indeed, of business in general in today's global landscape, it would be prudent to heed the debates surrounding going cashless in other parts of the world.

In the first of a three-part series on the wider context of cashless societies and what it ultimately means for Singapore businesses, this article looks at the debates in two countries – China and Sweden – often held up as standard-bearers of the e-payment revolution. In particular, we focus on the issues surrounding the over-dominance of e-payment service providers, the possibilities of central bank-issued digital currencies, and the link between cashless societies and the negative interest rate policy.

WHY CHINA AND SWEDEN

China is the world's biggest marketplace for cashless payments by virtue of its gargantuan population of over a billion consumers.

Sweden is expected to become the world's first cashless country by 2023.[1] Because its achievements in e-payments are less often trumpeted in Asia compared to China's, this may come as a surprise to many in this part of the world. After all, Sweden's smaller population of around 10 million makes it a much easier society to rid itself of cash, whereas China would have to contend with significant disparities between its coastal and interior regions.

Rather than being an accident of nature, this multiplicity of e-payment options in Singapore is in part because the government has "deliberately taken a different approach so as to allow more competition and innovation in the payments space."

ONG YE KUNG
Board member, MAS
and Minister for Education

[1] "Sweden Could Stop Using Cash By 2023", 11 Oct 2017, World Economic Forum

PHOTO SHUTTERSTOCK

Sichuan, China

China: Implications of the Alipay-WeChat duopoly

Some Singaporeans believe that the country's e-payment landscape is confusing because there are too many options.

Rather than being an accident of nature, this multiplicity of e-payment options in Singapore is in part because the government has "deliberately taken a different approach so as to allow more competition and innovation in the payments space", according to Ong Ye Kung, a board member of the Monetary Authority of Singapore (MAS), in his keynote address to the Association of Banks in Singapore (ABS) in June 2018. Mr Ong is also Singapore's Minister for Education. "Having one or two players dominate the market brings short-term convenience to consumers," Mr Ong said. "But in the context of Singapore, there will be significant downside risk in the long term due to a lack of competition, especially when the dominant player wields significant market power, and owns all the transaction data and customer information. Over time, this can slow down the rate of innovation, and give rise to the risk of unfair pricing for customers."

Mr Ong made specific reference to China, where Alipay and WeChat effectively hold a duopoly over the e-payment market, commanding 54% and 19% of market share respectively.[2] Moreover, their dominance goes beyond China – they have been aggressively courting the Southeast Asia market for remittances for instance[3], and they are also making inroads in Europe.

The issue of a lack of innovation does not seem to figure in China's e-payment landscape or, at least, not yet. But the Alipay-WeChat duopoly has been formidable enough to cause concern for the People's Bank of China (PBOC), the central bank.

Since June 2018, the PBOC has required online payment companies to channel payments through a new clearing house.[4] This has effectively forced Alipay and WeChat to share their transaction data with their smaller rivals, thus gradually breaking up their duopoly of the payment market.

Some commentators have characterised the PBOC move as a "power grab" after large state-owned banks complained that third-party providers like Alipay and WeChat were taking their deposits.[5] Nevertheless, the PBOC had underscored how the two e-payment companies have not always paid interest to their users despite generating huge returns on the large amounts of money they sit on. This is, in no small measure, because of the lack of real competition in the payment landscape.

Others have pointed out that a central bank like the PBOC needs to have control of the money supply to halt any destabilising outflows of capital, a situation in which China found itself in late 2017. This at least explains in part the action taken by the PBOC.

Sweden's e-krona: Central bank-issued digital currencies

One of the key roles of the central banks in modern times is to issue bank notes and coins for public use, as part of their mandate to maintain monetary and financial stability. (In a few places like Hong Kong, banknotes are issued by commercial banks like HSBC owing to historical reasons, but even that is a process subjected to the regulation of the Hong Kong Monetary Authority, the territory's central bank.)

If everyone were to stop using physical cash, they would have to depend much more heavily on the private sector to get access to money and payment methods. That carries credit risk. Furthermore, in a crisis situation, it would not be easy to force the private sector to take an active crisis preparedness responsibility to stabilise the whole payment market. If the current trend towards complete cashlessness reaches its endpoint, what should central banks do?

One option is to simply leave the whole responsibility of issuing currency to the private sector, as in the days before central banks took on that role. The government could then find new ways to regulate and supervise the payment market, so as to ensure a safe, efficient and inclusive payment system.

Another option is to compel traders and banks by law to accept cash as a means of payment. Chinese authorities have recently cracked down on merchants who refuse to accept cash payments because of the ubiquity of e-payment services[6], but this is not the case in Sweden.

Yet another option, which is the focus of our discussion here on Sweden, would be for the central bank to issue money in a digital form, as a complement to cash, that is, a central bank-issued digital currency. The Riksbank, Sweden's central bank, has proposed the e-krona (named after the krona, the Swedish currency). It would have a one-to-one conversion rate with the ordinary krona, and would be a government-guaranteed means of payment without credit risk. Additionally, this would benefit competition and options in the payment market. The e-krona could be held in an account at the Riksbank or stored on a card or a mobile phone app for use.

Currently, central banks do provide electronic accounts to banks and key financial institutions, but members of the public can only hold central bank money in the form of banknotes and coins.

The Riksbank is at pains to emphasise that this is not the same as a cryptocurrency, which is not issued and regulated by a state institution.[7] The e-krona will not be dependent on the distributed ledger technology.

Gothenburg, Sweden


PHOTO SHUTTERSTOCK

Other central banks such as the Bank of England have said they are studying the implications of a central bank-issued digital currency like the e-krona, but have no plans at present to introduce it.

Such an innovation like the e-krona would also present new possibilities for central banks, which brings us to the next point on the negative interest rate policy.

GOING CASHLESS: FACILITATING THE NEGATIVE INTEREST RATE POLICY

The existence of cash prevents central banks from cutting interest rates much below zero. This is because for depositors, it would mean paying to keep their cash savings in a commercial bank account. They would therefore want to withdraw as much of their cash as possible. Doing so would spark a substantial outflow of bank deposits, which would be destabilising. This is why interest rates do not generally go below zero – a policy problem known as the zero lower bound on interest rates.

> **... another option,** which is the focus of our discussion here on Sweden, would be for the central bank to issue money in a digital form, as a complement to cash, that is, a central bank-issued digital currency.

If a country has a dual currency system comprising cash and a central bank's reserves denominated in an electronic currency like the e-krona however, it would be possible for a central bank to slash interest rates to below zero, while keeping the interest rate for cash separately above zero.[8]

But why would it be desirable to cut interest rates to below zero in the first place?

It has been 10 years since the global financial crisis of 2008-2009, during which central banks in many advanced economies set the interest rate very close to zero and kept it there. This was to disincentivise depositors from keeping their money in the bank and to spend it instead, thereby stimulating the economy through consumption. However, the recovery of the global economy has been very slow and fragile. More precariously, this situation also means that central banks would have no more room for manoeuvre – to further cut the interest rate – if another severe recession hits. Central banks have been debating ideas to remove the lower bound on interest rates to counter cyclical downturns.

In Singapore, however, MAS does not use interest rates as its tool to set monetary policy like most other central banks. Rather, MAS pegs the exchange rate of the Singapore dollar to a basket of undisclosed currencies to achieve that same purpose. This is because Singapore has a small population and is an open economy that depends heavily on trade, as explained by MAS.[9]

The benchmark interest rate used in Singapore is the Singapore Interbank Offered Rate (SIBOR), which is set by ABS on a daily basis based on submissions from a panel of banks. Interest rate movement in other countries do still influence SIBOR.

"NOT FORCING A CASHLESS SOCIETY"

In the same speech that Mr Ong gave to ABS in June 2018, he had said that the "aim is not to force a cashless society, but to enable everyone to enjoy the convenience and efficiency of e-payment". This should comfortably allay any fears of a dystopian cashless society in some quarters. It also signals a well considered approach by Singapore towards addressing a major trend disrupting the global economy.

Amid the excitement of a vision of a technological future with faster payment transactions and shopping rewards, some of the fundamental macroeconomic implications of cashless societies should not escape our consideration. ISCA

Part 2 of this three-part series will be published in *IS Chartered Accountant* Journal, July 2019.

Loke Hoe Yeong is Manager, Insights & Publications, ISCA.

[2] "China 3rd-Party Payment Overview For Q4 2018", 2 April 2018, China Internet Watch
[3] "Tencent & Alibaba Chase Remittances In Battle For Southeast Asia", 27 Sept 2018, Reuters
[4] "China Targets Mobile Payments Oligopoly With Clearing Mandate", 10 Aug 2017, Financial Times
[5] "China Is Strangling Its Private Champions", 11 March 2019, Bloomberg
[6] "China's Central Bank Cracks Down On Merchants Who Refuse To Take Cash", 21 Aug 2018, South China Morning Post
[7] "This Is The Swedish E-Krona", 31 Oct 2018, Bitcoin.se website
[8] "Monetary Policy With Negative Interest Rates: Decoupling Cash From Electronic Money", 27 Aug 2018, IMF
[9] "What Is MAS' Monetary Policy Framework And Its Rationale?", Monetary Policy and Economics, MAS website

BY N. CRAIG SMITH AND RON SOONIEUS

TAKING ACTION ON SUSTAINABILITY

What Boards Can Do

WITH THE 2020 TARGET DATES of the Unilever Sustainable Living Plan (USLP) fast approaching, and the recent departure of sustainability champion Paul Polman as CEO, it will be interesting to see whether the firm can maintain its profits and reputation for sustainability excellence under the leadership of Alan Jope.

At the very least, Jope can count on working with directors who support sustainability and know the importance of incorporating it into the broader company strategy. That the company is on track to meet around 80% of its USLP commitments suggests two things. First, its board members understand that their corporate sustainability obligations extend beyond a fiscal responsibility to shareholders. Second, they see that integrating sustainability into a company's purpose and processes is vital to the company's success and the longevity of the planet.

Unilever is not alone. The recent Board Agenda (BA) and Mazars survey, "Leadership in Corporate Sustainability – European Report 2018", developed in association with INSEAD Corporate Governance Centre, suggests that board members increasingly recognise the need to incorporate sustainability into business practice. Regrettably, it also indicates that there is a substantial gap between their aspirations and the capacity of their boards and firms to deliver.

SUSTAINABILITY OBLIGATIONS EXCEED THE FIDUCIARY

While the business case varies from firm to firm (or even within a firm), there is broad agreement today that thinking sustainably makes financial sense. Shareholders increasingly recognise that the integration of environmental, social and governance factors into business practice is key to managing risk and creating long-term value for the company.

Unfortunately, with social and environmental challenges escalating, we are reaching a tipping point where market-led actions are no longer enough. Boards now need to look past minimising carbon emissions and other "low-hanging fruit". They must make the difficult decisions necessary to develop sustainable practices throughout core business activities and often complex supply chains.

Responses to the BA survey suggest that boards are aware that their companies cannot be successful in the long term without considering the communities they work in and the natural environment they depend on. Of the 234 business leaders polled (across ranks and company sizes), three quarters believe that ignoring sustainability

Shareholders increasingly recognise that the integration of environmental, social and governance factors into business practice is key to managing risk and creating long-term value for the company.

will affect their company's ability to create long-term value (Figure 1). Almost a third indicated that their organisations aim to be market leaders in sustainability and a further 30% aim to be seen as strong performers (Figure 2). More than a quarter said that sustainability was part of their firms' obligations outside a purely business case. Albeit a minority, these respondents pointed to their moral responsibilities for incorporating sustainability into business strategy.

While this is encouraging, the business leaders' awareness does not necessarily extend to identifying the policies that need to be in place or the information required. It seems boards are only starting to appreciate the complexity of sustainability and the difficulties their companies face in addressing it.

Only half the respondents could say with any certainty that their companies' sustainability principles and intentions were delivered by effective business policies. Around 30% indicated their policies may not be up to the mark. In fact, the responses suggest a pronounced lack of specific sustainability knowledge among boards. Only 50% said they believed their company had the right information and measures in place for it to understand its position, ambition and progress on sustainability. More than 20% indicated that board members struggled to see how sustainability fitted into their company strategy, or had no one on the board with specialised knowledge or interest. Nearly two thirds of surveyed companies do not require any sustainability expertise or mindset when recruiting board members (executive and non-executive directors). Less than a third have a head of sustainability who reports to the board, either directly or via the CEO. Only 17% of boards have a dedicated sustainability committee.

Given the growing societal awareness and demand for companies to conduct their business sustainably, one has to ask, what can boards do to be more engaged with sustainability?

Figure 1 Do you agree that ignoring sustainability will affect your company's ability to create value in the long term?

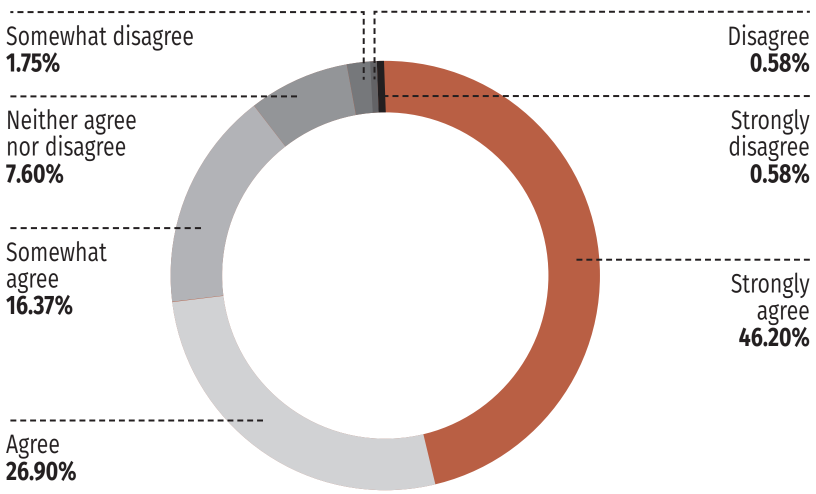
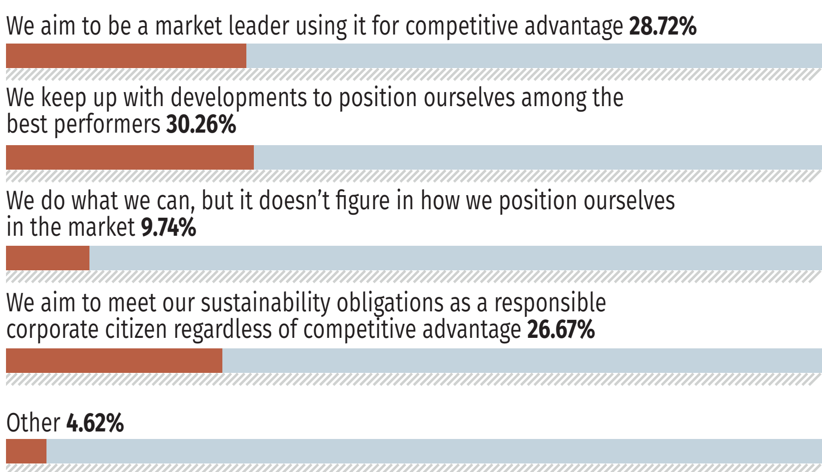


Figure 2 Your company has a clear idea of where it is trying to position itself on sustainability.



Given the growing societal awareness and demand for companies to conduct their business sustainably, one has to ask, what can boards do to be more engaged with sustainability?

PHOTO: SHUTTERSTOCK

IMMEDIATE ACTIONS

To help boards turn their sustainability aspirations into actions, we have identified six areas where immediate action can be taken. We have also included some difficult questions board members should be asking.

1) Revisit company statements of purpose.

- What does value creation mean to your company?
- Is there a comprehensive view of how the world is changing – not least in regard to climate change – and the role your organisation plays in that changing world?
- How is your company creating societal progress and does your corporate culture effectively support this?
- Is this consistent with contemporary sustainability demands and principles?
- Is it aligned with the SDGs?

2) Arrange a meeting of the entire board for the sole purpose of discussing what sustainability means to the organisation. Compare leading-edge sustainability practices with your own and leave ample time for an in-depth analysis of:

- The risks and opportunities in the medium and long term;
- The gaps between current sustainability performance and where the organisation needs to be;
- The strategies already in place for getting there, and those identified for future development;
- The board's sustainability priorities in the short, medium and long term, noting where they intersect with the board's understanding of company purpose.

3) Audit the board members' sustainability expertise and mindset.

- Is it adequate to embed sustainability thinking into board processes, risk management and investment decisions such as M&A and innovation?
- To what extent does the board need to prioritise recruitment of new members and is any specialist expertise required?
- Does board membership need to evolve to better reflect sustainability priorities?

4) Evaluate the adequacy of the sustainability information provided to the board.

- How are the organisation's sustainability goals translated into metrics?
- What information is currently reported?
- What further information is required?
- Does the board have benchmark data on its performance and that of competitors?
- Are the right KPIs in place for management?
- Are they part of an overall dashboard, integrating sustainability metrics with other performance metrics?
- Are additional resources needed to better understand or investigate data on the firm's sustainability performance?

5) Organise the board to ensure its oversight on sustainability is effectively managed.

- Which board committees should be deeply involved?
- Should there be a sustainability committee and how will its deliberations be brought to the main board?
- Would an independent expert panel help to challenge board actions and progress?

6) Explore how the firm engages with, and learns from, its critics – NGOs and others. Does the board need to hear from them independently?

In 2012, Polman showed that Unilever was a company ahead of its time when he told *The Guardian*, "What we firmly believe is that if we focus our company on improving the lives of the world's citizens and come up with genuine sustainable solutions, we are more in sync with consumers and society and, ultimately, this will result in good shareholder returns."

These sentiments may have been extreme for the time. However, seven years on, consumers expect companies to think beyond the bottom line.

Research suggests that an increasing number, if not a majority, of board members today recognise that their sustainability responsibilities have changed. It is now up to them to ensure they are equipped with the knowledge and people to better meet these obligations. ISCA

N. Craig Smith is INSEAD Chaired Professor of Ethics and Social Responsibility, and Ron Soonieus is INSEAD Executive-in-Residence and Managing Partner, Camunico.
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TECHNICAL HIGHLIGHTS

FINANCIAL REPORTING

ASC ISSUES AMENDMENTS TO SFRS(I)S AND FRSS

The ASC has issued the following amendments to Singapore Financial Reporting Standards (International) (SFRS(I)s) and Financial Reporting Standards (FRSs):

- Amendments to SFRS(I) 1-1 and SFRS(I) 1-8 *Definition of Material* and Amendments to FRS 1 and FRS 8 *Definition of Material*. The Amendments clarify the definition of "material" to make it easier for companies to make materiality judgements, and are effective for annual reporting periods beginning on or after 1 January 2020.

For more information on Amendments to SFRS(I) 1-1 and SFRS(I) 1-8, please visit www.asc.gov.sg/pronouncements/singapore-financial-reporting-standards-international/changes-effective-for-annual-periods-beginning-after-1-jan-2019

For more information on Amendments to FRS 1 and FRS 8, please visit www.asc.gov.sg/pronouncements/Financial-Reporting-Standards/changes-effective-for-annual-periods-beginning-after-1-jan-2019

- Amendments to SFRS(I) 3 *Definition of a Business* and Amendments to FRS 103 *Definition of a Business*. The Amendments improve the definition of a "business" to help companies determine whether an acquisition made is of a business or a group of assets, and are effective for annual reporting periods beginning on or after 1 January 2020.

For more information on Amendments to SFRS(I) 3, please visit www.asc.gov.sg/pronouncements/singapore-financial-reporting-standards-international/changes-effective-for-annual-periods-beginning-after-1-jan-2019

For more information on Amendments to FRS 103, please visit www.asc.gov.sg/pronouncements/Financial-Reporting-Standards/changes-effective-for-annual-periods-beginning-after-1-jan-2019

IASB PUBLISHES PROJECT SUMMARY ON DISCLOSURE INITIATIVE – PRINCIPLES OF DISCLOSURE

The IFRS Foundation has published a document summarising work by IASB on the Disclosure Initiative – Principles of Disclosure research project.

For more information, please visit www.ifrs.org/news-and-events/2019/03/disclosure-initiative-principles-of-disclosure-project-summary-now-available/

IFRS FOUNDATION PUBLISHES IFRS TAXONOMY 2019

This IFRS Taxonomy compiles changes resulting from a common practice update and a general improvement update to the IFRS Taxonomy 2018.

For more information, please visit www.ifrs.org/news-and-events/2019/03/ifrs-foundation-publishes-ifrs-taxonomy-2019/

IASB CHAIR DISCUSSES SUSTAINABILITY REPORTING

At the Climate-Related Financial Reporting Conference in Cambridge, UK, IASB Chair Hans Hoogervorst spoke on IASB's role in sustainability reporting.

For more information, please visit www.ifrs.org/news-and-events/2019/04/speech-iasb-chair-on-sustainability-reporting/

AUDITING AND ASSURANCE

ISCA ISSUES AMENDED AUDIT GUIDANCE STATEMENT (AGS) 9

The constitutional Acts of the respective statutory boards have been instituted in the Public Sector (Governance) Act 2018 (PSG Act). The compliance requirements, guidance paragraphs and illustrative auditor's reports in AGS 9 have been updated to reflect this change. The amendments are effective for audits of financial statements for periods beginning on or after 1 April 2018.

For more information, please visit https://isca.org.sg/tkc/aa/current-issues/standards-alert/standards-alert/2019/april/amended-audit-guidance-statement-ags-9-opinion-on-receipts-expenditure-investment-of-moneys-and-the-acquisition-and-disposal-of-assets-by-statutory-boards/

ETHICS

IESBA RELEASES STRATEGY AND WORK PLAN 2019-2023

IESBA has released its Strategy and Work Plan 2019-2023. Titled "Elevating Ethics in a Dynamic and Uncertain World", the publication describes the board's strategy and priorities toward the setting of high quality, future-ready ethics standards for professional accountants that are widely adopted around the world.

For more information, please visit www.ifac.org/news-events/2019-04/global-ethics-board-sets-out-top-priorities-publishes-ambitious-5-year-strategy

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BY FELIX WONG

DECODING DIGITAL AND TRANSFER PRICING

Developments In Digital Taxation

THE CURRENT INTERNATIONAL TAX FRAMEWORK, which dates back to the 1920s, allocates taxing rights based on the location of physical assets, capital and labour, source of income and residence of taxpayers. While the tax framework has worked well at a time when the nature of world trade was predominantly physical, the meteoric rise of digital businesses has put enormous pressure on the traditional international tax framework, and its adequacy in addressing the digital economy has been called into question by many western jurisdictions.

Tax experts, (from left) Accredited Tax Advisor (Income Tax) Sam Sim, Practice Council Member, New York University School of Law; Mukesh Butani, Managing Partner, BMR Legal, and Associate Professor Darren Koh, Vice Dean, School of Law, Singapore University of Social Sciences, shared insights on the digital taxation landscape and international proposals

Digital businesses have the ability to access a market via technological means without necessarily having a physical presence in that market. Relying heavily on highly mobile intangible assets, digital businesses can also create a significant economic presence in one jurisdiction despite having most of its profit generating assets and labour located in a different jurisdiction. Due to these characteristics of digital businesses, the current international tax framework is in need of significant updates.

Bringing the audience up to speed on the latest international developments in digital taxation were Accredited Tax Advisor (Income Tax) Sam Sim, Practice Council Member, New York University School of Law; Mukesh Butani, Managing Partner, BMR Legal, and Associate Professor Darren Koh, Vice Dean, School of Law, Singapore University of Social Sciences. The three tax experts shared their insights on the digital taxation landscape, critically examined the various international proposals, and left the audience with much to think about on the way forward.

> The meteoric rise of digital businesses has put enormous pressure on the traditional international tax framework, and its adequacy in addressing the digital economy has been called into question by many western jurisdictions.

EU PROPOSAL OF SIGNIFICANT DIGITAL PRESENCE

As part of the G20-OECD Base Erosion and Profit Shifting (BEPS) project, the OECD had recommended that income of multinational corporations (MNCs) be taxed in countries where value is created. BEPS Action 1 examined the digital economy challenges and opined on several possible ways to tax the digital economy without coming to a specific consensus recommendation.

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Thereafter, under the European Union (EU) proposal for a permanent solution to taxing the digital economy, a company would have to pay tax in each EU Member State where it has a "significant digital presence". The company would be considered to have a significant digital presence based on three quantitative thresholds – revenue from supplying digital services exceeding €7 million, number of users exceeding 100,000, or number of online business contracts exceeding 3,000. These proposals depart from traditional international tax principles in that it is possible for a company to create a significant digital presence and hence have a taxable nexus in the EU Member State even if it is completely "virtual" and has no physical presence in that Member State.

Once significant digital presence is established, the company would then have to attribute its profits to be taxed based on transfer pricing (TP) principles. Here, again, traditional TP principles face the challenge of determining the value created and allocating profits arising from user participation and data (for example, information from online user data used to generate advertisement insights), services connecting users (for example, online marketplace) and other digital services (for example, subscription to streaming services).

OECD TASK FORCE FOR DIGITALISED ECONOMY

Parallel to the EU's effort, the BEPS Inclusive Framework's Task Force for the Digitalised Economy (TFDE) is also working on detailed proposals to address the digital economy. The TFDE proposal centres around two central pillars:

Pillar One: Tackling the broader challenges of the digital economy through addressing the nexus rules and the allocation of taxing rights

The TFDE proposals entail that businesses would allocate more profits to market jurisdictions with whom they interact, regardless of the extent of their physical presence in those markets. Specifically, three policy alternatives were proposed:

(i) user participation;
(ii) marketing intangibles;
(iii) significant economic presence.

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(i) "User participation" proposal

Under the "user participation" proposal, profits are allocated to jurisdictions where "active and participatory user bases" are located. A social media platform, for example, may be considered to have an active and participatory user base in a particular country if the number of users it has in that country exceeds a certain threshold, and in so doing, creating a taxable presence in that country.

User participation deviates from a traditional nexus analysis in that taxable presence is determined based on a quantitative test (instead of a principle-based test in a traditional nexus analysis). Fundamentally, it also assumes that there is value in the company's activities when certain quantitative thresholds are met, triggering a taxable presence. This intrinsically puts pressure on the subsequent TP analysis as the company may be obligated to allocate certain profits associated with the quantified threshold in arriving at the appropriate profit allocation.

(ii) "Marketing intangibles" proposal

The "marketing intangibles" proposal essentially seeks to modify existing TP rules to give more emphasis to marketing intangibles (including brand, trade name and customer data) when allocating profits, effectively assigning more non-routine returns to the market jurisdictions.

Specifically, a certain amount of non-routine or residual income attributable to the marketing intangibles could first be allocated to the market jurisdictions based on agreed metrics before other income is allocated based on existing TP principles. Considering that additional residual profits are intended to be allocated to marketing intangibles beyond conventional TP analysis, it remains to be seen how the proposal will reconcile with the arm's length principle.

(iii) "Significant economic presence" proposal

The "significant economic presence" proposal considers a taxable presence in a jurisdiction where a non-resident has a significant economic presence, based on factors that show a purposeful and sustained interaction with the jurisdiction via digital technology. It involves the definition of tax base, determination of allocation keys and weighing of each allocation key.

Pillar Two: Income inclusion and tax on base erosion

Pillar Two comprises two proposals that perhaps go further than those in Pillar One. The first proposal on "income inclusion rule" requires a company to include the income of its foreign branch (or controlled entity) in its tax base if such income was subject to an "excessively low" effective tax rate. The second proposal on "tax on base eroding payment" seeks to deny tax deduction of payments to a related party if that payment was "insufficiently taxed", and to only grant tax treaty benefits if the beneficiary was "sufficiently taxed" in the other treaty jurisdiction.

[1] "Press Release No. 27/ 2019", Telecom Regulatory Authority of India, 18 April 2019

[2] "Digital Payments", NITI Aayog, July 2018

Whether you are a young startup company creating an app or a 100-year-old brick-and-mortar company venturing into e-commerce, you may still be affected in some way or the other by the proposed digital taxation rules.

Observations on the TFDE's proposals

It is interesting to note that some of the TFDE's proposals, particularly those under Pillar Two, are fundamentally different from the proposals in the OECD 2015 BEPS report. One key difference is that the 2015 BEPS report focused on whether an income has been appropriately taxed and if not, to update the rules rather than drawing a line based on a specific minimum tax rate. In doing so, the sovereign right of each country to set its own tax rate is respected.

The TFDE's proposals in Pillar Two, by contrast, speaks of whether an income has been "sufficiently taxed". The TFDE's proposals introduce the concept of an additional minimum level of tax required over the rates set by each sovereign jurisdiction. These new proposals are expected to have a wide-ranging impact on businesses if implemented.

DIGITAL TAXATION IN INDIA

With over 550 million broadband subscribers as on February 2019[1], more than 100% increase in digital payments[2] and extensive use of e-commerce and digital advertising, India has a huge digital economy that is rapidly growing, making it an important country to watch out for in terms of digital taxation.

Equalisation levy

In India, a 6% equalisation levy is chargeable on payments made to non-residents for specific services (currently online advertisement, any provision for digital advertising space and any other facility or service for the purpose of online advertisement).

India is the first country to adopt an equalisation levy as an interim measure to address the digital economy, and it took effect from 1 June 2016 in line with BEPS Action 1. It would be interesting to see whether more countries will follow India's lead and adopt similar mechanisms.

Nexus-based test: Significant Economic Presence (SEP)

Like the EU's proposal of significant digital presence, India has also effected the concept of a nexus-based test of significant economic presence from 1 April 2019. While the EU proposal includes specific thresholds, India is yet to prescribe specific thresholds to its proposal.

Importantly, India's SEP proposal is a good indication that the concept of significant digital presence is not only discussed at the EU, but more widely considered in major economies in other parts of the world.

It should be noted that digital taxation is not just limited to digital companies. Whether you are a young startup company creating an app or a 100-year-old brick-and-mortar company venturing into e-commerce, you may still be affected in some way or the other by the proposed digital taxation rules.

As tax authorities around the world grapple with the digital economy and try to come to a consensus on the way forward, stay updated and think through what the proposals may mean to you and your company. ISCA

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BY CHUA WEI HWA AND KOH WEI CHERN

DON'S COLUMN

REVISED CODE OF CORPORATE GOVERNANCE

EFFECTIVE 1 JANUARY 2019

Towards A More Principles-based Approach

THE LAST REVISION OF SINGAPORE'S CODE OF CORPORATE GOVERNANCE (CODE) that is applicable to listed companies in Singapore was in 2012. Owing to the evolution of global corporate governance practices and sentiments that there is room for Singapore listed companies to improve on their governance practices and disclosures, Monetary Authority of Singapore (MAS) convened a Corporate Governance Council (Council) in February 2017 to review the Code. On 6 August 2018, MAS accepted the Council's final recommendations. The revised Code took effect for annual reports with financial years beginning from 1 January 2019.

The key changes to the Code relate to (i) the structure of the Code; (ii) clarification of the comply-or-explain regime, and (iii) strengthening board quality. This article is a discussion of these key changes.

STRUCTURE OF THE CODE

The 2012 version of the Code had 16 Principles that were supported by 82 Guidelines. The requirements added over the years had resulted in a lengthy Code. The Council also noted that length, coupled with an overly prescriptive Code, could have encouraged a box-ticking mindset and boilerplate disclosures which did not provide meaningful information to stakeholders.

Hence, the main change to the structure of the 2018 Code is streamlining. Fifteen Guidelines in the 2012 Code that replicated

... the changes to the structure of the Code are implemented to shift companies away from the box-ticking mindset to meaningful engagement with stakeholders.

Singapore Exchange Listing Rules (SGX LRs), or were overly prescriptive, have been removed. Twelve Guidelines that the Council considered to be important baseline requirements have been shifted to SGX LRs and will require mandatory compliance. Twenty-four of the remaining Guidelines that were overly prescriptive, or were less essential details, were shifted to the Practice Guidance. The 2018 Code now has 13 Principles that are supported by 51 Provisions (Guidelines have been renamed Provisions in the new Code).

In addition, an Introduction has been incorporated in the 2018 Code. This Introduction (i) explains the broad intent of the Code; (ii) references a board's role in establishing corporate culture, and (iii) clarifies how companies should apply the comply-or-explain regime (this will be elaborated in the following section).

The language in the revised Code has also been re-drafted, departing from a prescriptive style including the use of the word "should". Overall, the changes to the structure of the Code are implemented to shift companies away from the box-ticking mindset to meaningful engagement with stakeholders.

COMPLY-OR-EXPLAIN REGIME

The comply-or-explain regime is a common approach to the regulation of corporate governance across major jurisdictions. The Council also noted the need for companies to be able to appropriately tailor corporate governance practices to their specific needs. Hence, the 2018 Code continues to apply on a comply-or-explain basis. To clarify any prior misconceptions about this regime, a two-fold approach is adopted – (i) the Introduction to the Code explicitly explains the application of the comply-or-explain approach, and (ii) enhancements have been made to SGX LR 710.

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Overall, the 2018 Code is simplified, substantially shortened and less prescriptive. Baseline good corporate governance practices have been moved from the Code ... to mandatory requirements under SGX LRs.

Introduction to Code

The 2018 Code is structured to have Principles, supported by Provisions, and complemented by a Practice Guidance.[1] The Code's Introduction explicitly states that Principles are broad, core statements of good corporate governance to which compliance is mandatory.

On the other hand, Provisions are actionable steps that companies can take to comply with the Principles. It is unequivocally stated in the Introduction that companies are required to describe how their corporate governance practices comply with the Code's Principles and Provisions. However, variations from the Provisions are acceptable if accompanied by "comprehensive and meaningful" explanations of how alternative practices are consistent with the Principles.

Enhancements to SGX LR

Amendments to SGX LR 710 now make explicit the following – (a) compliance with the Code Principles is mandatory; (b) companies are required to describe their governance practices with reference to both the Principles and Provisions (and not only when there are deviations), and (c) variations are acceptable to the extent that companies explicitly state and explain how their practices are consistent in substance with the intention behind the Code's Principles.

STRENGTHENING BOARD QUALITY

Changes were introduced to strengthen board quality by enhancing board independence and encouraging board renewal, as well as improving board diversity.

Board Independence

As a result of shifting some Guidelines from the 2012 Code to SGX LRs and the Practice Guidance, it can be said that there is now a three-tier approach to the regulation of board independence. The SGX LRs form the baseline mandatory requirements of board independence. It is now a mandatory requirement that independent directors make up at least one-third of the boards.[2] In addition, three explicit circumstances for which a director cannot be considered independent are mandated by SGX LRs. These circumstances are when a director is employed by the company (or any of its related corporations) for the current or past three financial years; when a director has an immediate family who is employed by the company (or any of its related corporations) for the current or past three financial years, and when a director has served on the board for more than nine years. However, a director who has served for more than nine years can be considered independent, subject to separate voting by all shareholders and shareholders excluding those who also serve as directors or the Chief Executive Officer of the company.[3]

In contrast, the Code's Provisions detail requirements of board independence that are not technically mandatory, but for which deviations have to be explained. Under this category, there is now the requirement that when the Chairman of the board is not independent, independent directors should make up board majority (previously, the relevant Guideline from the 2012 Code required only "at least half" of the board).[4] In addition, there is a new Code Provision that non-executive directors make up the majority of a board.[5] The threshold for determining a director's independence from substantial shareholders has been reduced from 10% shareholdings to 5%.[6] However, this test of independence remains under a Provision, and was not moved to SGX LR as originally proposed by the Council.

Other tests of director independence which relate to business relationships between a director or his family members with the company, and direct associations between a director and substantial shareholders, have been moved to the Practice Guidance. These tests are meant to be illustrative examples of when non-independence is likely.[7]

Overall, the regulation of board independence appears to have been enhanced by more regulated mandatory requirements and stricter thresholds set as expected practices. At the same time, unnecessarily prescriptive and more subjective tests have been shifted to the voluntary application Practice Guidance.

Board Diversity

The revised Code now requires the board diversity policy and progress towards achieving the policy be disclosed in annual reports.[8] There was no prior requirement for this disclosure. While there is growing recognition that board diversity can enhance corporate performance by preventing groupthink, encouraging forward thinking and enhancing adaptivity, the Council was careful not to be overly prescriptive in terms of requiring specific measures or targets, and instead, allows for flexibility.

OTHER CHANGES

Other changes include (i) the training of first-time directors with no prior experience, made mandatory by SGX LR;[9] (ii) more disclosures on the link between remuneration and value creation for the company,[10] and (iii) introducing a new Code Principle that requires the board to consider the interests of material stakeholders.[11]

CONCLUSIONS

Overall, the 2018 Code is simplified, substantially shortened and less prescriptive. Baseline good corporate governance practices have been moved from the Code, which applies under a comply-or-explain regime, to mandatory requirements under SGX LRs. The new Code takes a principles-based approach. Specific details, which can be considered illustrative examples of best practices, have been shifted to the Practice Guidance which applies on a voluntary basis. These changes were made in the hope that companies will take a less box-ticking mindset towards corporate governance and instead, engage in meaningful exchanges with stakeholders. ISCA

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[1] The Practice Guidance provides guidance by detailing best practices, but adoption is voluntary for companies.
[2] Rule 210(5)(c) of the SGX LRs (Mainboard)/ Rule 406(3)(c) of the SGX LRs (Catalist)
[3] Rule 210(5)(d) of the SGX LRs (Mainboard)/ Rule 406(3)(d) of the SGX LRs (Catalist)
[4] Provision 2.2 of the 2018 Code
[5] Provision 2.3 of the 2018 Code
[6] Provision 2.1 of the 2018 Code, and its corresponding footnote
[7] Practice Guidance 2
[8] Provision 2.4 of the 2018 Code
[9] Rule 210(5)(a) of the SGX LRs (Mainboard)/Rule 406(3)(a) of the SGX LRs (Catalist)
[10] Principle 8 of the 2018 Code
[11] Principle 13 of the 2018 Code

BY PATRICIA TAN

DON'S COLUMN

Capital Disclosures As Required by SFRS(I) 1-1

Are They Adequate In Practice?

CAPITAL STRUCTURE REFERS TO THE AMOUNT OF DEBT AND/OR EQUITY employed by an entity to fund its operations and growth, and finance its assets. The structure is typically expressed as a debt-to-equity or debt-to-capital ratio. Managing capital structure is a balancing act. Cost of debt is lower than that of equity because scheduled interest payments are contractual, and debtholders receive priority in the event of liquidation. Entities also enjoy tax relief on interest expense. However, excessive debt levels lead to high interest expenses and increase the volatility of earnings and the risk of bankruptcy. As such, entities need to balance the usage of debt in their capital structure. Unfortunately, there is no magic debt-to-equity ratio to use as guidance to achieve real-world optimal capital structure. Factors determining the optimal mix include the industry, line of business, and a firm's stage of development. The optimal mix can also vary over time due to external changes in interest rates and regulatory environment.

A McKinsey (2006)[1] article states that "the potential harm to a company's operations and business strategy from a bad capital structure is greater than the potential benefits from tax and financial leverage". It further adds that "in our view, the trade-off a company makes between financial flexibility and fiscal discipline is the most important consideration in determining its capital structure and far outweighs any tax benefits". Recent news on companies in financial trouble because of their high leverage position and their inability to meet the debt commitments highlights the significant damage that can arise from a bad capital structure.

With the rising level of corporate debt, it becomes even more critical for investors and creditors to understand how entities manage their capital structure.

[1] "Managing Capital Structure Support Strategy", Marc H. Goedhart, Timothy Koller and Werner Rehm, McKinsey on Finance, Winter 2006

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Furthermore, as capital structure becomes more complex and financial instruments become more elaborate, understanding what the entity manages as capital and the entity's policies and processes for managing capital may be indispensable for users to assess the risk profile of an entity.

Consistent with this, the basis for conclusions on IAS 1 *Presentation of Financial Statements* para BC86 states that disclosures on an entity's capital structure and its management strategy are important to help users assess the risk profile of an entity and the entity's ability to withstand unexpected adverse events. As such, the Singapore equivalent of IAS 1, SFRS(I) 1-1 *Presentation of Financial Statements*, para 134 requires entities "to disclose information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital". Para 135 provides the compliance guidelines, which include both qualitative information and summary quantitative data about what the entity manages as capital and how it is meeting its objectives for managing capital.

The Monetary Authority of Singapore published its inaugural Enforcement Report in March 2019, and lists "timely and adequate disclosure of corporate information for better investor protection" as one of its enforcement priorities for 2019/2020. This comes amid an observed trend of poor disclosure of material information by listed entities.[2] In this article, I examine the disclosure practices on capital management for a sample of entities[3] listed on the Singapore Exchange (SGX) with high debt-equity (DE) ratio. I examine this set of entities as capital disclosures of the higher leveraged entities should be of greater interest to the investors and creditors. For comparison purposes, I also examine the disclosure practices of the top 20 largest firms listed on SGX.

[2] "MAS out to identify cases of tardy corporate disclosure", *The Business Times*, 21 March 2019

[3] I exclude financial institutions and Reits/Trusts as they are subjected to externally imposed capital requirements.

[4] The original Top 20 entities included three entities that were in the High DE-Large subsample. These three entities in the original Top 20 entities were replaced so that there was no overlap between the final Top 20 entities and the High DE-Large subsample.

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... there are significant opportunities for improvement in capital management disclosures. Entities can consider including more informative qualitative disclosures on the policies and processes for managing capital.

SAMPLE AND DATA COLLECTION

I obtained a list of entities with DE ratio above 100% (extracted from SGX website as at 9 April 2019), and formed three subsamples according to market value (MV) as follows:

- High DE-Large: MV > S$200 million
- High DE-Mid: S$50 million < MV < S$200 million
- High DE-Small: MV < $50 million

For each subsample, I ranked the entities by MV and selected the top 20 entities in each subsample. I also selected the top 20 entities (Top 20) by market capitalisation listed on the SGX as at 29 March 2019.[4] The final sample consisted of 80 entities. For each entity in the sample, I examined one year of annual report with financial year ending between 31 December 2017 and 30 September 2018, both dates inclusive. I searched for capital management disclosure in the Notes to the Accounts. Using the compliance guideline per SFRS(I) 1-1 para 135, I examined each entity's disclosure of its objectives, policies and processes for managing capital.

FINDINGS

(1) Objectives

All entities disclosed their objectives in managing capital. Many entities stated that they are committed to an "efficient" and "optimal" capital structure with no description of what that means. Objectives common to many include "ability to continue as a going concern", to "maximise shareholder value", and to "provide benefits to stakeholders". The next common listed objective is to manage capital to support "growth/future development". A few large entities list "financial flexibility" and "adequate access to liquidity to mitigate the effect of unforeseen events" as objectives. Table 1 summarises the number of entities with the respective objectives.

(2) Policies and Processes

While SFRS(I) 1-1 does not state the kind of disclosures required here, the illustrative examples on capital disclosures in the Implementation Guidance provide an idea of the information on policies and processes that may be useful for investors.

I examined the disclosures on the following four items:

- Who is responsible for capital management;
- How frequently does the entity review its capital structure;
- What ratios does the entity monitor;
- Is there a target/cap on the DE ratio.

Table 1 Objectives

	Going concern + Shareholders only	Going concern + Stakeholders	Growth/Future development	Financial flexibility	Unforeseen circumstances
Top 20	4	8	6	3	2
High DE-Large	4	6	6	0	0
High DE-Mid	7	6	3	1	0
High DE-Small	10	8	2	0	0

Table 2 Policies and Processes

	In-charge	Frequency of review		What are monitored			Target
		"Regularly", "periodically", "ongoing"	Specific time period	Cap structure ratios	Others [5]	No disclosure	
Top 20	4	8	0	18	9	0	2
High DE-Large	2	3	2	13	7	2	0
High DE-Mid	0	2	1	13	3	5	4
High DE-Small	1	3	2	10	4	8	0

Table 3 Summary Quantitative Disclosures

	Shows numerator, denominator and gearing ratios	Shows ratios without calculations	No disclosures
Top 20	11	6	3
High DE-Large	15	1	4
High DE-Mid	14	1	5
High DE-Small	12	0	8

Table 2 summarises the findings. Only a handful state that the Board of Directors (BOD), or a committee of the BOD, is responsible for capital management. Most entities use "Management" or "Group" when describing capital management activities without being specific about who or what committee manages the capital structure.

Very few entities provide a specific time period for the frequency of review of its capital structure. Those who did, specified "annual" or "semi-annual" as the frequency of review. All firms in the Top 20 subsample disclose what are being monitored in the review, whereas nearly 50% of the entities in the High DE-Small subsample do not disclose what are being monitored. A handful of entities voluntarily disclose capital targets set by management.

(3) Summary Quantitative Disclosures

The compliance guideline in SFRS(I) 1-1 para 135 includes disclosure of summary quantitative data about what entities manage as capital. Most entities provide computations of what is regarded as debt, equity and/or capital and the corresponding gearing ratio.[6] A handful provide the gearing ratio without showing any computations while 40% of the entities in the High DE-Small subsample do not provide any quantitative disclosures. Table 3 summarises the findings.

CONCLUSIONS

The technical definition of an optimal capital structure is the best mix of debt, preferred stock, and common stock that maximises an entity's market value while minimising its cost of capital. What it means practically and how entities determine the debt-equity mix to fund operations and grow the businesses is, however, not clear. With the rising level of corporate debt, it becomes even more critical for investors and creditors to understand how entities manage their capital structure.

The findings in this article show that there are significant opportunities for improvement in capital management disclosures. Entities can consider including more informative qualitative disclosures on the policies and processes for managing capital. Such disclosures include who is responsible for capital management, frequency of review, what ratios are being monitored and if there is a target DE ratio or target cost of capital. Entities can also improve on their quantitative disclosures on what is managed as capital. Such disclosures would help investors and creditors assess the risk profile of an entity and convey confidence that the entity is actively managing its capital structure in its pursuit of growth opportunities and ensuring that it has the financial strength and flexibility to withstand unexpected adverse events. Missing (or poor) disclosures could be due to oversight but may also convey the impression that the entity does not actively manage its capital. Investors would be concerned that such entities may pursue growth opportunities at the cost of an efficient capital structure and that, in the long term, can be detrimental for all stakeholders. ISCA

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[5] Such items include return on capital employed, cost of capital and interest coverage.
[6] Common gearing ratios are debt-to-equity and debt-to-capital.