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# Introduction of the Significant Investments Review Bill in Singapore to Protect the National Security Interests of Singapore

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**LEGAL  
UPDATE**

# In this Update

The Significant Investments Review Bill (“**Bill**”) was introduced in Parliament on 6 November 2023 and if passed, is expected to be implemented in 2024. The Bill sets out a new investment regime which will regulate significant investments – by both local and foreign investors – into entities critical to Singapore’s national security interests that are designated under this regime (“**Designated Entities**”).

This article provides a summary of the key features of the Bill, including (i) the ownership and control requirements that Designated Entities will be subject to; and (ii) the government’s targeted powers over entities which act against national security interests, including those that are not Designated Entities.



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### KEY FEATURES OF THE BILL

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### REFERENCE

## KEYPOINT

*The Bill was introduced in Parliament on 6 November 2023 and if passed, is expected to be implemented in 2024. The Bill sets out a new investment regime which will regulate significant investments - by both local and foreign investors - into Designated Entities. These Designated Entities will be subject to several ownership and control requirements. Separately, the Bill also provides the government with targeted powers over entities which act against national security interests, including those that are not Designated Entities.*

*This development was foreshadowed earlier this year in August when Minister for Trade and Industry Gan Kim Yong stated Singapore's intention to explore new tools to manage significant investments into critical entities such that they do not affect Singapore's economic resilience and national security interest. Consequently, the Bill is targeted at strengthening the resilience of Singapore's economy and enhancing national security.*

### KEY FEATURES OF THE BILL

Under the Bill, entities can be designated if they are incorporated, formed, or established in Singapore, carry out activities in Singapore, or provide goods and services to persons in Singapore. These Designated Entities will have to follow certain ownership and control requirements:

- (1) **Notification or approval obligations for specified changes in ownership or control of the entities imposed on buyers, sellers and the Designated Entities:** Buyers into Designated Entities will be required to notify the Ministry of Trade and Industry ("**Minister**") after becoming a 5% controller and will have to seek the Minister's approval before becoming a 12%, 25% or 50% controller. Buyers will also have to seek the Minister's approval before becoming an indirect controller or acquiring as a going concern the business or undertaking, or parts of it. Sellers will have to seek the Minister's approval when ceasing to be a 50% or 75% controller. In addition, the Designated Entities will have to

notify the Minister of the above-mentioned changes in ownership and control after becoming aware of the events. Transactions that occur without the necessary approvals will be rendered void, but materially affected parties may apply for validation notices. If the above conditions of approval have not been complied with, the Minister may also issue remedial directions, for example: (i) through ordering a party to transfer or dispose all or any of its equity interests held in the Designated Entities, subject to any conditions, that the Minister considers appropriate or (ii) restricting the disclosure of any information relating to the affairs of the Designated Entities to any person.

- (2) **Fit and Proper Criteria:** Any person who is to become a 12%, 25% or 50% controller or indirect controller of a Designated Entity and every person that the Minister knows is an associate of such person, or who is acquiring the business or undertaking, or parts of it, has to be a fit and proper person under the relevant guidelines.
- (3) **Approval obligations for the appointment of key persons such as the chief executive officer, directors, and the chairperson of the board; managers and partners of partnerships:** Such key persons may be removed if they have been appointed without approval or if conditions of approval are breached. The Minister may also remove such key persons in the interest of national security.
- (4) **Provisions to ensure the security and reliability of the critical functions of Designated Entities:** For example, Designated Entities cannot be voluntarily wound up or dissolved, judicial management order be made or judicial manager be appointed or steps taken to enforce any security over a Designated Entity without the Minister's consent. Should national security issues arise or should the delivery of essential services be disrupted, orders may also be given to direct the assumption of control of the Designated Entities' affairs, business, and property, to ensure their continuity.

Besides the regulation of Designated Entities, the Bill will also allow the Minister to review ownership or control transactions involving entities which have acted against Singapore's national security interests, including entities that are not Designated Entities. Following the Minister's review, targeted actions may be taken, including directing the transacting party to dispose of its equity interest in the entity.

The Bill is only expected to affect entities that are critical to Singapore's national security interests but not adequately covered by existing sectorial legislation governing sectors such as the telecommunications, banking and utilities sectors. It is expected that only a handful of critical entities will be designated under the Bill and these affected entities will be informed by the relevant Government agencies. In addition, to minimise the overall impact of the introduction

of the Bill on affected businesses, stakeholders will be closely engaged, and an Office of Significant Investments Review will be set up under the Ministry of Trade and Industry to provide a dedicated one-stop touchpoint for these stakeholders.

## **REFERENCE**

Please click [here](#) to access the press release issued by the Ministry of Trade and Industry on the introduction of the above-mentioned Bill.

Please click [here](#) to access the Bill.

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