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LEGAL E-BULLETIN

VOLUME 30 (SG)   28/04/2026

Dear Readers,

Singapore has introduced and proposed several regulatory developments affecting directors and officers, signalling increased scrutiny, stronger governance expectations and potential expansion of liability.

In this E-Bulletin, we outline three key developments:

1. Increased penalties for breach of directors' duties
2. Cybersecurity governance requirements for CII entities
3. MAS proposals on investor civil recourse

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SINGAPORE: Heightened Scrutiny of Directors, Cyber Governance and Investor Recourse

1. Increased Penalties for Breach of Directors' Duties

On 6 November 2025, Parliament approved amendments to the Companies Act to strengthen corporate governance and accountability.

Directors who fail to:

- act in the best interests of the company; or
- exercise reasonable diligence

may now face:

- fines of up to SGD 20,000 (previously SGD 5,000), and
- imprisonment of up to 12 months.

Importantly, courts may now impose both a fine and a custodial sentence - a change from the previous position.

While D&O insurance does not cover criminal penalties, the amendments reflect heightened regulatory expectations and enforcement appetite. Increased scrutiny may lead to:

- more regulatory investigations;
- greater shareholder activism; and
- increased civil claims against directors.

2. Mandatory Cybersecurity Training for Board Members of CII Entities

Singapore is strengthening its cybersecurity framework through proposed revisions to the Cybersecurity Code of Practice (CCoP) for Critical Information Infrastructure (CII) entities.

Under the proposed changes:

- Board members of CII entities (e.g. healthcare, finance, energy) will be required to undergo mandatory cybersecurity training.
- Chief Information Security Officers (CISOs) must be given direct access to the board.
- Greater accountability is expected at board level for cyber risk oversight.

These reforms reflect a shift toward personal governance responsibility for cyber resilience.

Given the increasing reliance on third-party vendors and complex supply chains, scrutiny is also expected to extend to upstream and downstream service providers.

Directors of CII entities may wish to reassess:

- their governance structures; and
- the scope of coverage under their D&O and Cyber policies.

Insurers underwriting such risks should evaluate whether the regulatory risk profile of CII entities is evolving.

3. MAS Consultation: Expanding Investor Civil Recourse

The Monetary Authority of Singapore (MAS) has issued a consultation paper proposing enhancements to investor civil recourse for market misconduct under the Securities and Futures Act (SFA).

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Current Position

Investors may currently:

1. bring an independent action for compensation; or
2. bring a "piggyback" action after conviction or civil findings.

Representative actions are possible but difficult due to the high threshold for demonstrating a "common interest".

Retail investors often face:

- high litigation costs;
- difficulty coordinating claims; and
- barriers to accessing funding.

Proposed Enhancements

MAS proposes reforms in three main areas:

1. Facilitating Self-Organisation

Introduction of a "designated representative" - an independent party approved to bring proceedings on behalf of investors.

This would complement, not replace, the existing representative action regime.

2. Access to Funding

A potential grant scheme to co-fund meritorious investor actions, subject to safeguards to prevent abuse and excessive litigation.

3. Reducing Legal Barriers

MAS proposes to:

- allow piggyback actions based on civil penalty settlements, default judgments and consent orders;
- provide template forms and affidavits; and
- remove the statutory cap on compensation (currently limited to the wrongdoer's gain or avoided loss), giving courts discretion to determine appropriate compensation.

Implications for Insurers

While Singapore is not moving toward US-style class actions, the proposals could meaningfully increase:

- frequency of investor claims;
- quantum of damages;
- complexity of securities litigation; and
- defence costs.

The traditionally restrained litigation environment in Singapore may shift if MAS adopts these recommendations.

Insurers underwriting D&O and financial lines risks should closely monitor developments and reassess exposure models accordingly.

If you would like to discuss how these regulatory developments may affect your organisation, board structure or insurance coverage, please feel free to contact us.

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