

**ANTI-MONEY  
LAUNDERING/COMBATING THE  
FINANCING OF  
TERRORISM**

# Mandatory Training and Proficiency Test requirements for Registered Filing Agents

- ▶ From 15 November 2018, anyone seeking to register or renew his/her registration as a Registered Filing Agent (RFA) will be required to complete a mandatory training programme which comprises a prescribed Anti-Money Laundering/Counter Financing of Terrorism (AML/CFT) course and an AML/CFT Proficiency Test prior to the application.
- ▶ The programme aims to ensure that RFAs are well-equipped to comply with AML/CFT regulations through continuous education.

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**OVERVIEW OF MONEY LAUNDERING,  
TERRORISM FINANCING AND  
PROLIFERATION FINANCING ON  
SANCTIONS**

# What is Money Laundering?

- Money laundering is a process carried out with the intention to conceal the benefits obtained from criminal activity so that they are made to appear to have originated from legitimate sources.
- In this process, money obtained through criminal activity or other criminal property, for examples, money or money's worth, securities, tangible property and intangible property, are mixed with or exchanged for money originating from legitimate sources or other assets with no obvious link to their criminal origins.

# What is Money Laundering?

## ► Definition of Money Laundering

Is the Conversion, Transfer and Concealment of properties originated from illicit acts in order to disguise their illegal origin & source for enjoying these illicit profits.

## ► 3 Stages of Money Laundering

- ✓ Placement: the physical disposal of the benefits of criminal activity
- ✓ layering: the separation of these benefits from their source by creating intervening layers of financial transactions
- ✓ integration: this places the laundered benefits back into the economy so that they re-enter the financial system by appearing to be legitimate business funds

# Money Laundering vs. Laundering of Criminal Proceeds

- ▶ Predicate Offences Generates Criminal Proceeds, Dealing with Criminal Proceeds is Money Laundering
- ▶ Separate offences. There are 10 drug-related offences and over 400 other serious crimes listed in the First and Second Schedule of the Corruption Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act.

# What is Terrorism Financing?

- ▶ Terrorism seeks to influence, compel or intimidate governments or the general public through threats or violence, causing of damage to property or danger to life, creating of serious risks to public health or safety, or disrupting of important public services or infrastructure.
- ▶ The funds required by terrorists to carry out terrorism acts are acquired from terrorism financing. Sources of terrorism financing may be legitimate or illegitimate. For examples, they may be derived from criminal activities. They may also be derived from legitimate sources such as income from legitimate business operations belonging to terrorist organisations. The methods used by terrorist organisations to obtain, move, or conceal funds for their activities are similar to those used by criminal organisations to launder their funds.

# What is Terrorism Financing?

## Definition of Terrorism Financing (TSOFA)

- ❑ S3: Prohibition against providing or collecting property for terrorist acts
- ❑ S4: Prohibition against provision of property and services for terrorist purposes
- ❑ S5: Prohibition against use or possession of property for terrorist purposes
- ❑ S6: Prohibition against dealing with property of terrorists

“terrorism financing offence” means -

- a) any offence under sections 3, 4, 5 or 6;
- b) conspiracy to commit any of those offences;
- c) inciting another to commit any of those offences;
- d) attempting to commit any of those offences; or
- e) aiding, abetting, counselling or procuring the commission of any of those offences;



# What is Terrorism Financing?

- ▶ Refers to the Collection, Disposition or Provision of properties and/or services with the intention that they should be used, or of the knowledge they are to be used, to support terrorists and/or their acts & organisations.
- ▶ Unlike Money Laundering which assumes that a criminal offence has occurred in order to generate criminal property, Terrorist Financing may involve funds from legitimate sources or self-funding.
- ▶ However, as Terrorism Financing has the ultimate objective of funding terrorists (including foreign terrorist fighters) and terrorism, financiers use similar methods as Money Laundering to disguise the origin of funds.

# Terrorism Financing vs. Terrorism

- ▶ **“terrorist act” means the use or threat of action -**  
where the action -
  - (i) involves serious violence against a person;
  - (ii) involves serious damage to property;
  - (iii) endangers a person’s life;
  - (iv) creates a serious risk to the health or the safety of the public or a section of the public;
  - (v) involves the use of firearms or explosives;
  - (vi) involves releasing into the environment or any part thereof, or distributing or otherwise exposing the public or any part thereof to -
    - (A) any dangerous, hazardous, radioactive or harmful substance;
    - (B) any toxic chemical; or
    - (C) any microbial or other biological agent, or toxin;

# Terrorism Financing vs. Terrorism

**“terrorist act” means the use or threat of action –**

- (vii) disrupts, or seriously interferes with, any public computer system or the provision of any service directly related to communications infrastructure, banking and financial services, public utilities, public transportation or public key infrastructure;
  - (viii) disrupts, or seriously interferes with, the provision of essential emergency services such as the police, civil defence and medical services; or
  - (ix) involves prejudice to public security or national defence; and
- (b) where the use or threat is intended or reasonably regarded as intending to -
- (i) influence or compel the Government, any other government, or any international organisation to do or refrain from doing any act; or
  - (ii) intimidate the public or a section of the public, and includes any action specified in the Second Schedule.

# What is UN Sanction?

*“United Nations Security Council sanctions have taken a number of different forms, in pursuit of a variety of goals. The measures have ranged from comprehensive economic and trade sanctions to more targeted measures such as arms embargoes, travel bans, and financial or commodity restrictions. The Security Council has applied sanctions to support peaceful transitions, deter non-constitutional changes, constrain terrorism, protect human rights and promote non-proliferation.” “Sanctions do not operate, succeed or fail in a vacuum. The measures are most effective at maintaining or restoring international peace and security when applied as part of a comprehensive strategy encompassing peacekeeping, peacebuilding and peacemaking. Contrary to the assumption that sanctions are punitive, many regimes are designed to support governments and regions working towards peaceful transition. The Libyan and Guinea Bissau sanctions regimes all exemplify this approach.”*

**Source: [www.un.org](http://www.un.org) (United Nations Security Council)**

# Sanctions Application

- ▶ Democratic People's Republic of Korea (DPRK) (North Korea)
- ▶ “The FATF reaffirms its 25 February 2011 call on its members and urges all jurisdictions to advise their financial institutions to give special attention to business relationships and transactions with the DPRK, including DPRK companies, financial institutions and those acting on their behalf.
- ▶ In addition to enhanced scrutiny, the FATF further calls on its members and urges all jurisdictions to apply effective counter-measures, and targeted financial sanctions in accordance with applicable United Nations Security Council Resolutions, to protect their financial sectors from money laundering, financing of terrorism and WMD proliferation financing (ML/FT/PF) risks emanating from the DPRK.
- ▶ Jurisdictions should take necessary measures to close existing branches, subsidiaries and representative offices of DPRK banks within their territories and terminate correspondent relationships with DPRK banks, where required by relevant UNSC Resolutions.” - FATF 23 June 2017 Public Statement

# FINANCIAL ACTION TASK FORCE (FATF)

Transnational Crime requires Transnational  
Solution

- ▶ Money Laundering and Terrorism Financing are Transnational crimes which requires cooperation from the international community.
- ▶ What's being done? How are we preventing Money Laundering and Terrorist Financing?

# At the Global Level: FATF

FATF 40  
Recommendations & 11  
Immediate Outcomes

FATF Recommendations  
set an international  
Standard which member  
countries should,  
implement into their local  
laws

Endorsed by over 180  
countries



FINANCIAL ACTION TASK FORCE

The Financial Action Task Force [FATF) is an independent inter-governmental body that develops and promotes policies to protect the global financial system against money laundering, terrorist financing and the financing of proliferation of weapons of mass destruction. The FATF Recommendations are recognised as the global anti-money laundering (AML) and counter-terrorist financing (CFT) standard.

For more information about the FATF, please visit the website:  
[www.fatf-gafl.org](http://www.fatf-gafl.org)

# FATF

- ▶ In 1990, the original FATF 40 Recommendations were targeted to combat the misuse of financial systems to launder drug money.
- ▶ In 1996, the Recommendations were revised to reflect evolving money laundering, trends and techniques and to broaden the scope beyond drug related money laundering offences.
- ▶ In 2001, FATF designed 9 Special Recommendations on preventing terrorist financing, hence called the FATF 40+9 Recommendations.
- ▶ In 2012, these were revised, consolidated and published as FATF 40 Recommendations (latest update in 2018).



# FATF 40 Recommendations

1. Assessing risks & applying a risk-based approach
2. *National cooperation and coordination*
3. Money laundering offence
4. Confiscation and provisional measures
5. Terrorist financing offence
6. Targeted financial sanctions related to terrorism & terrorist financing
7. Targeted financial sanctions related to proliferation
8. Non-profit organisations
9. Financial institution secrecy laws
10. Customer due diligence
11. Record keeping
12. Politically exposed persons
13. Correspondent banking
14. Money or value transfer services
15. New technologies
16. Wire transfers
17. Reliance on third parties
18. Internal controls and foreign branches and subsidiaries
19. Higher-risk countries
20. Reporting of *suspicious transactions*
21. Tipping-off and confidentiality
22. DNFBPs: Customer due diligence
23. DNFBPs: Other measures
24. Transparency and beneficial ownership of legal persons
25. Transparency and beneficial ownership of legal arrangements
26. Regulation and supervision of financial institutions
27. Powers of supervisors
28. Regulation and supervision of DNFBPs
29. Financial intelligence units
30. Responsibilities of law enforcement and Investigative authorities
31. Powers of law enforcement and investigative authorities
32. Cash couriers
33. Statistics
34. Guidance and feedback
35. Sanctions
36. International instruments
37. Mutual legal assistance
38. Mutual legal assistance: freezing and confiscation
39. Extradition
40. Other forms of international cooperation

# FATF Members and Bodies

## The 37 Members of the FATF

The FATF currently comprises 35 member jurisdictions and 2 regional organisations, representing most major financial centres in all parts of the globe

Argentina	France	Japan	Russian Federation
Australia	Germany	Republic of Korea	Singapore
Austria	Greece	Luxembourg	South Africa
Belgium	<b>Gulf Co-operation Council</b>	Malaysia	Spain
Brazil	Hong Kong, China	Mexico	Sweden
Canada	Iceland	<b>Netherlands, Kingdom of</b>	Switzerland
China	India	New Zealand	Turkey
Denmark	Ireland	Norway	United Kingdom
European Commission	Italy	Portugal	United States
Finland			

# FATF Members and Bodies

## Singapore is also a member of the Asia Pacific Group

### FATF OBSERVERS

- Israel
- Saudi Arabia

### FATF ASSOCIATE MEMBERS

- a) Asia/Pacific Group on Money Laundering (APG) (See also: APG website)
- b) Caribbean Financial Action Task Force (CFATF) (See also: CFATF website)
- c) Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL) (See also: Moneyval website)
- d) Eurasian Group (EAG) (See also: EAG Website)
- e) Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) (See also: ESAAMLG website)
- f) Financial Action Task Force Latin America (GAFILAT) (formerly known as Financial Action Task Force on Money Laundering in South America (GAFISUD) (See also: GAFILAT website)
- g) Inter Governmental Action Group against Money Laundering in West Africa (GIABA)
- h) (See also: GIABA website)
- i) Middle East and North Africa Financial Action Task Force (MENAFATF) (See also: MENAFATF website)
- j) Task Force on Money Laundering in Central Africa (GABAC) (See also: GABAC website)

# FATF Members and Bodies

- ▶ Singapore has been a member of FATF since 1992.
- ▶ A member of FATF commits to implement the FATF Recommendations codified into domestic law.
- ▶ Other FATF members will perform Mutual Evaluations to check that the Recommendations of a particular member country has been implemented and to assess the member country's compliance with the standard.
- ▶ Poorly rated members and/or countries not committed to the Recommendations are blacklisted or shunned by the international community. Access to international markets are in turn restricted.

# **GLOBAL AND REGIONAL CONTEXT**

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# Money Laundering: A Global Epidemic

- ▶ According to the UN Office on Drugs and Crimes,<sup>1</sup> 2 to 5 percent of global GDP is laundered annually. Considering global GDP in 2014 was at US\$74 trillion,<sup>2</sup> that means as much as US\$3.7 trillion is laundered globally.
- ▶ Singapore GDP is USD\$297 billion in 2016.
- ▶ See Appendix 1 for trends

<sup>1</sup> United Nations Office on Drugs and Crime, “Estimating illicit financial flows resulting from drug trafficking and other transnational organized crimes,” October 2011,

<sup>2</sup> “Global gross domestic product (GDP) at current prices from 2010 to 2020 (in billion U.S. dollars),” Statista.com, Last modified 2015.

# FATF Mutual Evaluation Report 2016

- ▶ “Singapore provided information that it was pursuing some complex cases involving transnational fraud and corruption. However, Singapore has prosecuted few foreign predicate ML cases outside of wire transfer frauds involving money mules/shell companies, and has confiscated low amounts of proceeds of crime.”
- ▶ “FIs and especially DNFBPs had a less mature understanding of TF risks, and often failed to distinguish between terrorism and TF risks. Overall, there is a significant difference in the level of understanding of the ML/TF risks between the financial sector and DNFBP sector, therefore limiting DNFBPs’ ability to develop a comprehensive risk understanding.”

# Singapore's Exposure to ML/TF

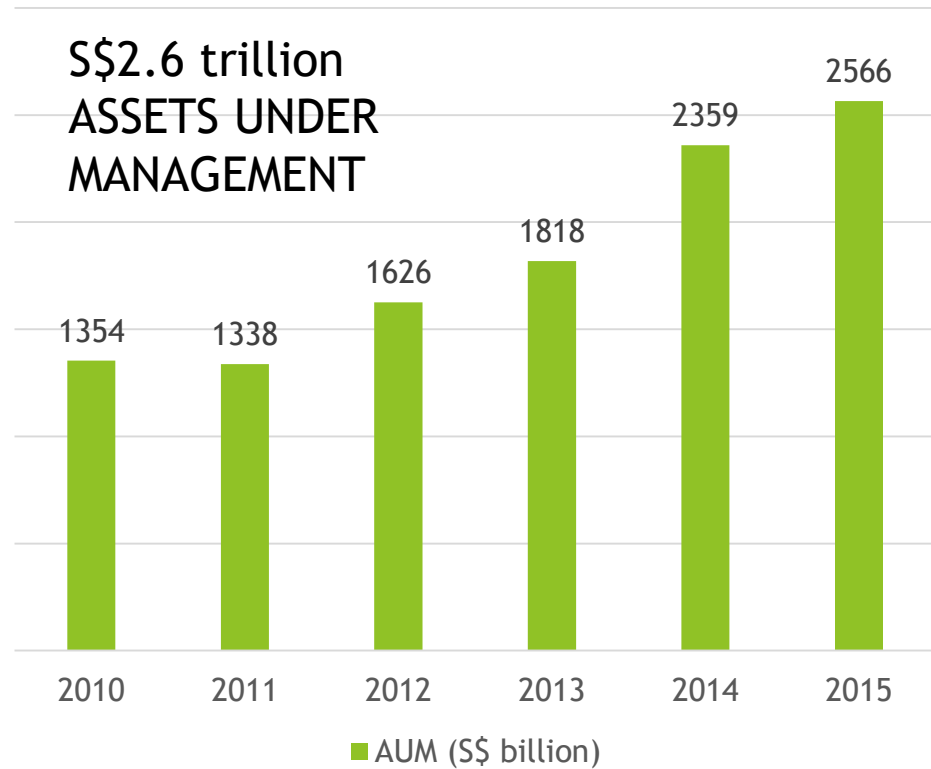
- ▶ Singapore is ranked by the International Monetary Fund as one of 25 systematically important financial centres in the world. The large size of the financial sector, high volume of transactions and wide international reach inevitably exposes Singapore to its share of ML/TF risks.<sup>1</sup>
- ▶ Singapore ranks as the world's no. 3 financial centre on Global Financial Index survey.<sup>2</sup>

## Source

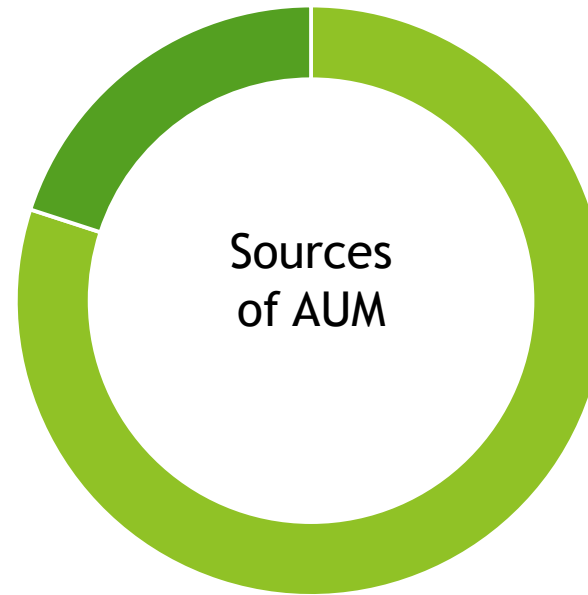
- 1 Singapore National Risk Assessment Report, January 2014
- 2 GFCI20, Z/Yen Group Limited, September 2016



# Singapore Assets Under Management



## SERVING GLOBAL INVESTORS



80%  
OF FUNDS  
SOURCED  
OUTSIDE  
SINGAPORE

Singapore manages SGD \$2.6 trillion (US\$ 1.8 trillion) AUM.

1 Asset Management Survey 2015, Monetary Authority of Singapore

# Statistics

- ▶ Singapore's status as both a major global financial centre and an international trade/transportation hub makes it vulnerable to becoming a transit point for illicit funds from abroad. Foreign predicate offences constitute 66% of all money laundering investigations and 27% of all money laundering convictions between 2007 and 2011<sup>1</sup>.
- ▶ The amount of foreign criminal proceeds seized between 2007 and 2011 amounted to \$265 million<sup>2</sup>.

**S\$2.6**  
trillion  
AUM

**80%**  
AUM sourced  
from outside  
Singapore

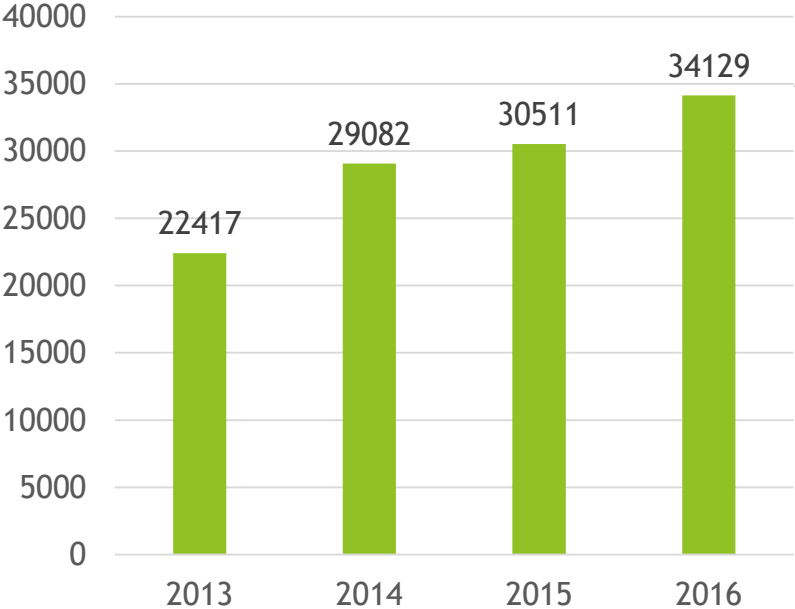
**S\$265 million**  
foreign criminal proceeds seized  
(between 2007 and 2011)

<sup>1</sup> FATF Mutual Evaluation Report, September 2016.

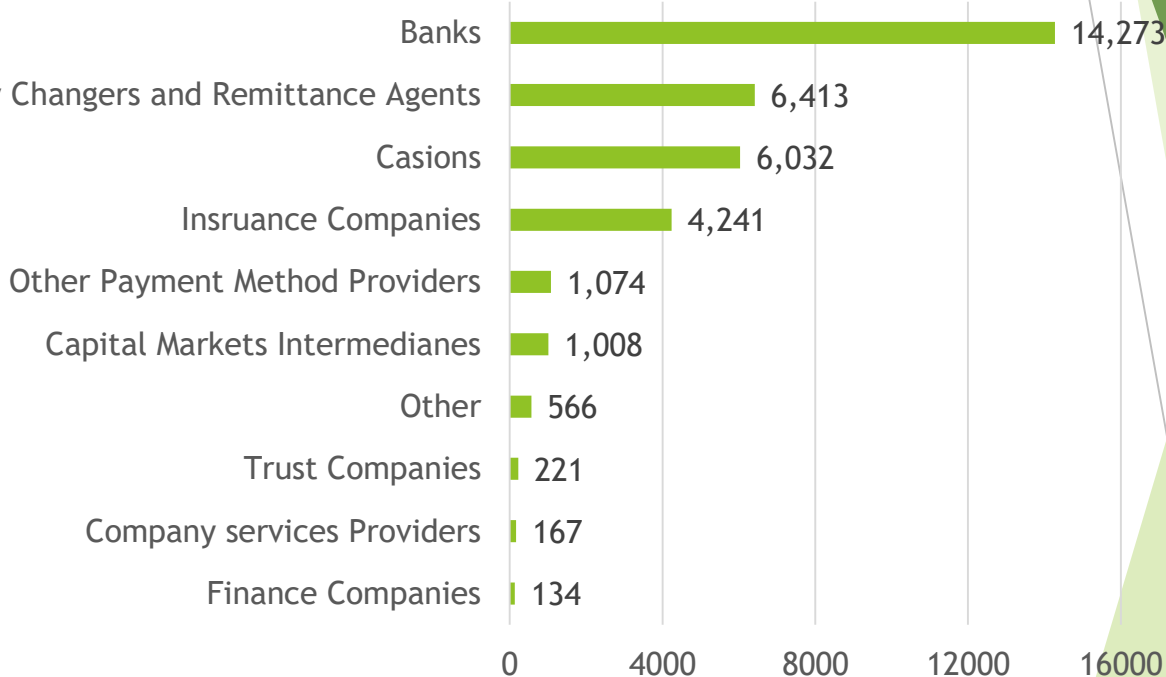
<sup>2</sup> National Risk Assessment Report, January 2014.

<sup>3</sup> Asset Management Survey 2015, Monetary Authority of Singapore

# Statistics



Money Changers and Remittance Agents



Suspicious Transaction Reports  
12%

Cash Movement Reports  
4%

Cash Transaction Reports  
3%

Requests For Assistance  
16%

Spontaneous Exchange of Information  
17%

# **AML/CFT/SANCTIONS REQUIREMENTS**

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# AM L/C FT Legislation

- ▶ Relevant Singapore Legislation
  - CDSA
  - TSOFA
  - UN Act, Regulations
  - ACRA Act, Regulations
  - Accountants Act
  - Legal Profession Act

# SINGAPORE LEGISLATION

## At the domestic level: Legislation in Singapore

- ▶ AML and CFT Laws implemented as a result of the FATF Recommendations
- ▶ Specific industry regulations introduced to govern members
- ▶ AML Laws
  - Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act (“CDSA”)
- ▶ CFT Laws
  - Terrorism (Suppression of Financing) Act (“TSOFA”)
- ▶ UN Act and UN Resolutions
- ▶ ACRA Regulations and Guidance
  - ACRA (Filing Agents and Qualified Individuals) Regulations 2015
  - Companies Act (Register of Controllers and Nominee Directors) Regulations 2017
- ▶ Accountants Act
  - EP200

# At the domestic level: Legislation in Singapore

	AML/CFT Obligated Entities	Legal Statutes Entities
Financial Institutions	Banks	MAS Act, Securities and Futures -Act/ and its relevant MAS' Notices
	Capital Markets	
	Financial Advisory	
	Insurance	
	Money Changing & Remittance Business	
DNFBPs	Casino	Casino Control Act , Casino Control PML/TF Regulations
	Real Estate Agents	Estate Agent Act, CEA Practice Circular, Estate agents Regulations
	Lawyers	Legal Profession Act, LP-PMLFT Rules
	CSPs	ACRA Act, ACRA(FA&QI) Regulations
	Trust Service Providers	MAS notice TCA-N03
	Pawnbrokers	Pawnbrokers Act, Pawnbrokers Rules

# Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act (“CDSA”)

- ▶ The CDSA is the primary legislation in Singapore that criminalises the laundering of criminal benefits and provides for the investigation and confiscation of such benefits.



# Sections 43, 44, 46 & 47 CDSA

## Regarded as Singapore's main AML statute

- ▶ Over 400 drug dealing and other serious offences (“predicate offences”)
- ▶ Know/ reasonable grounds to believe
- ▶ “Deal”
  - Conceals or disguises
  - Converts, transfers or removes out of jurisdiction
- ▶ Acquires, possesses or uses
- ▶ Property that are one's own proceeds or that of another person's proceeds (crime of abetment)

**Maximum \$500,000 fine, or 10 years' imprisonment, or both (corporation \$1 million fine)**

# Section 39 CDSA

## Suspicious Transaction Reporting

- ▶ Mandatory for anyone to inform STRO, when there are reasonable grounds to suspect that any property may be connected to drug dealing or criminal conduct
  - No civil or criminal proceedings shall lie against a person disclosing in good faith
- ▶ Such a report is known as a “Suspicious Transaction Report”

Maximum \$20,000 fine

# Section 48 CDSA

## Tipping Off

- ▶ Disclosure of information on a suspicious transaction reporting, an investigation or a potential investigation to anyone

Maximum \$30,000 fine, 3 years imprisonment, or both

# Section 40A CDSA Sections 5&6 Official Secrets Act Protection for STR Filers

- ▶ Provides for protection of information (such as the identity of the STR maker)

**CAD does not reveal the identity of the maker of the STR**

# Terrorism (Suppression of Financing) Act ("TSOFA")

- ▶ The TSOFA was enacted in 2002 to counter terrorist financing in Singapore. It also gives effect to the UN International Convention of the Suppression of the Financing of Terrorism (1999) and the UNSCR 1373 (2001), which call on states to work together to prevent and suppress acts of terrorism including terrorist financing.
- ▶ TSOFA - Criminalises Terrorist Financing, prohibits dealing with property linked to terrorists or terrorism, prohibits providing property or services, and obligates reporting suspicions of terrorist financing.

# Sections 3,4 & 5 TSOFA

## Criminalises terrorism financing

- ▶ Prohibits the dealing of property or the provision of services
  - for the purpose of committing or facilitating a terrorist act; or
  - relating to a terrorist or terrorist entity
- ▶ This Act has extra-territorial application

Maximum \$500,000 fine, or 10 years' imprisonment, or both (corporation \$1 million fine)

# Section 8 TSOFA

## Suspicious Transaction Reporting

- ▶ Every person in Singapore, and every Singapore citizen overseas, to inform the Police of any property or information on any transaction relating to any terrorist or terrorist entity • No civil or criminal proceedings shall lie against a person disclosing in good faith
- ▶ Lodge a Police Report if urgent. If not, you can lodge a “Suspicious Transaction Report”

Maximum \$50,000 fine,  
or 5 years’ imprisonment, or both

# Schedule 1 TSOFA

## Targeted Financial Sanctions

- ▶ List of locally identified persons targeted for financial sanctions.
- ▶ Prohibit persons in Singapore from dealing with and provision of resources and services for benefit of the designated individuals and entities.

Maximum \$50,000 fine,  
or 5 years' imprisonment, or both



# MHA and IMC-TD

- ▶ The Inter-Ministry Committee on Terrorist Designation (“IMC-TD”) (under Ministry of Home Affairs) acts as Singapore’s authority relating to the designation of terrorists. The committee was formed in 2012 consisting of members from the Ministry of Home Affairs, Commercial Affairs Department, Singapore Police Force, Ministry of Foreign Affairs, Monetary Authority of Singapore and Attorney General Chambers.
  - ▶ Responsible for identifying persons or entities for designation as terrorists pursuant to United Nations Security Council Resolutions.
  - ▶ Responsible for proposing persons, entities and groups to be listed/delisted as terrorists under UN Sanctions Committee.
  - ▶ Responsible for disseminating UN Security Council Resolutions to the relevant Singapore authorities. Additionally, responsible for updating (locally identified) terrorists in the First Schedule of the TSOFA.

Extracted from Ministry of Home Affairs website

# UN Act and UN Regulations

- ▶ The UN Act, which was promulgated in 2001, gives the Minister for Law the power to make Regulations that are necessary to comply with the sanctions requirements.
- ▶ These Regulations prohibit persons in Singapore from dealing with designated individuals and entities. The prohibitions include:
  - Prohibition against dealing with property of designated persons; and
  - Prohibition against provision of resources and services for benefit of designated persons.
- ▶ Non-financial institutions and natural persons in Singapore are required to comply with the sanctions requirements in relation to UN Designated Individuals and Entities.

BHP- UN Act and the UN Regulations are available on Singapore Statutes Online.

# UN Security Council Resolutions

- ▶ UNSCRs - International resolutions by the United Nations to prohibit dealing or providing resources or services to listed individuals and entities.
- ▶ Thus far, Singapore has put in place Regulations to comply with the various UNSCRs, such as those dealing with Iran and the Democratic People's Republic of Korea.
- ▶ Aside from the UN Designated Individuals and Entities, all natural and legal persons also have to comply with other Targeted Financial Sanctions.
- ▶ Targeted financial sanctions are available on the MAS Website as well as under the First Schedule of TSOFA.

Refer to Targeted Financial Sanctions

(For Non-Financial Institutions and Natural Persons in Singapore)

## Section 5 UN ACT Breaching of Sanctions

- ▶ Every person who commits, or attempts to commit, or does any act with intent to commit, or counsels, procures, aids, abets, or incites any other person to commit, or conspires with any other person (whether in Singapore or elsewhere) to commit any offence against any regulations made under this Act.

Maximum \$500,000 fine, or 10 years' imprisonment, or both (corporation \$1 million fine)

# Country Risk

FATF issued public statement by which 11 jurisdictions are considered as High Risk and Non-Cooperative.

## Call for Action

- × Iran
- × Democratic People's Republic of Korea (DPRK)  
(23 February 2018)

## Other Monitored Jurisdictions with Strategic Deficiencies

- × Ethiopia
- × Iraq
- × Serbia
- × Sri Lanka
- × Syria
- × Trinidad and Tobago
- × Tunisia
- × Vanuatu
- × Yemen (23 February 2018)

## No Longer Subject to FATF on-going AML/CTF Monitoring

- × Afghanistan (27 Jun 2017)
- × Bosnia & Herzegovina (23 Feb 2018)
- × Guyana (16 Nov 2016)
- × Lao (27 Jun 2017)
- × Uganda (3 Nov 2017)

# Country Risk

Countries that are subject to United Nations sanctions

Country	UN Sanction	Date of Last Update of List
Democratic People's Republic of Korea	UN 1718 List UN 2270 List	30 March 2018
Democratic Republic of the Congo	UN 1533 List	1 February 2018
Eritrea	UN 1844 List	8 March 2018
Iran	UN 2231 List	17 January 2016
Libya	UN 1970 List	29 April 2018
Somalia	UN 1844 List	8 March 2018
South Sudan	UN 2206 List	3 November 2018
Sudan	UN 1591 List	14 March 2018
Yemen	UN 2140 List	23 April 2018

Extracted from MAS website

# Country Risk

Besides the 11 FATF High Risk & Non-Cooperative jurisdictions and 9 UN Sanctioned countries, you may wish to consider other indicators such as:

1. Corruption Perception Index by Transparency International
2. Basel AML Index by Basel Institute of Governance
3. Financial Secrecy Index by Tax Justice Network
4. Convention on Mutual Administrative Assistance in Tax Matters by OECD
5. Other Sanctions by US OFAC and UK HMT

# Customer Risk

Customer Risk is the ML/TF risk posed in consideration of their nature and behaviour.

Some Common Red Flags of High Risk Behaviour Include:

- ❑ A customer who seeks to conceal beneficial ownership through use of nominee structures.
- ❑ A customer who avoids or refuses to disclose beneficial ownership and origin of wealth.
- ❑ A customer who avoids providing due diligence documentation.
- ❑ A customer who provides false or damaged identification documentation or documentation that appears to be altered or tampered with.
- ❑ Non face-to-face customer relationships.



# Customer Risk

## Some Common Red Flags of High Risk Nature Include:

- ▶ Complex corporate structures that conceal the identity of ultimate beneficial owners.
- ▶ Complex corporate structures involving foreign holding companies in tax haven countries.
- ▶ Adverse news indicating money laundering, terrorist financing, bankruptcy, or other criminal allegations or charges.
- ▶ Politically exposed persons (“PEPs”), and their Associates (e.g. Family members), who are entrusted with a prominent public or business function in a government authority or large international organisation.
- ▶ E.g. military officials, senior political party officials, senior executives of state-owned enterprises and their board of directors
- ▶ Sanctioned individuals or entities (targeted financial sanctions)
- ▶ Additional examples are given in the ACRA AML CFT Guidelines for RFAs.

# POLITICALLY EXPOSED PERSONS (PEP)

- ▶ Definition of PEP
- ▶ What Do You Do With A PEP?

# Definition of PEP

- ▶ Is or has been entrusted with any prominent public function in Singapore (domestic PEPs) or in a country or territory outside Singapore (foreign PEPs). In this context, “prominent public function” includes the role held by a head of state, head of government, government minister, senior civil or public servant, senior judicial or military official, senior executive of a state-owned corporation, senior political party official, or a member of the legislature but excludes the role held by middle-ranking or more junior officials;
- ▶ Is or has been entrusted with any prominent public function by an international organisation (PEPs of international organisations). In this context, “prominent public function” includes the role held by a director, deputy director, member of the board and member of the senior management of an international organisation, but excludes the role held by middle-ranking or more junior officials;
- ▶ Is an immediate family member of a person referred to in (a) or (b). In this context, “immediate family member” is defined as a spouse, a child, an adopted child, a step-child, a sibling or a parent; or
- ▶ Is a close associate of a person referred to in (a) or (b).

# What Do You Do With A PEP?

- ▶ Risk based approach but generally speaking, because PEP potentially presents a higher level of AML/CFT risk, it is prudent to consider a customer who is a PEP (or with a PEP in the mix) as high risk for due escalation to Senior Management in accordance with your IPPC
- ▶ Further consideration on enhanced due diligence may be taken and these measures may include
  - Inquire into background and purpose of transaction
  - Establish additional controls such as closer monitoring and attention to proposed transactions
  - Establish source of wealth and source of funds
  - Increased frequency of screening and review

# Product/Service Risk

Product/Service Risk refers to the provision of certain products or services, or a combination of products and services, to customers that may increase money laundering and terrorism financing risks for RFAs.

- ❑ “Nominee” arrangements (i.e. directorship, shareholder services), sole nominee director, nominee arrangements with no other services.
- ❑ Sole provision of registered office, correspondence address or hold mail services.
- ❑ Incorporation of “shell company”, company with low paid-up capital, provision of “shelf company”.
- ❑ Opening and management of (foreign) bank accounts.
- ❑ Use of RFAs bank account or nominee’s bank account or omnibus accounts.

# Common Misconception of Risk

- ▶ Misconception 1: All my clients are Singaporeans. Hence there is no need to perform risk assessment or screening because they are all low risk.
- ▶ Misconception 2: I only deal with Singapore incorporated companies and they are all registered on ACRA. Hence all my clients are low risk.
- ▶ Misconception 3: I don't deal with customers coming from sanctioned or high risk countries. Therefore, all my clients are low risk.

# Risk Assessment in Summary

- ▶ RFA shall keep records of all customer due diligence information (including screening results and risk assessment) and the supporting records in respect of a business relationship which is subject to any customer due diligence measures or on-going monitoring. These records should be sufficient to permit a reconstruction of a particular transaction.
- ▶ Identifying relevant risk drivers, measuring and analysing the risks, followed by reviewing and mitigating the risks are key components of an effective risk assessment methodology.

# Risk Assessment in Summary

Upon effectively assessing ML/TF risks, RFAs should be able to classify customers into at least 3 key risk buckets and determine relevant actions needed. A simple decision tree diagram can be considered:

