



The Monetary Authority of Singapore

SECURITIES AND FUTURES ACT (ACT 42 OF 2001)

**NOTICE ON PREVENTION OF
MONEY LAUNDERING FOR HOLDERS OF A
CAPITAL MARKETS SERVICES LICENCE**

Notice No: SFA 04-N02
Issue Date: 11 Nov 02

NOTICE ON PREVENTION OF MONEY LAUNDERING

This Notice replaces the Guidelines on Prevention of Money Laundering issued on 22 Feb 00 to Dealers, Investment Advisers, Futures Brokers, Futures Trading Advisers and Futures Pool Operators licensed under the Securities Industry Act (Chapter 289) and Futures Trading Act (Chapter 116).

1 INTRODUCTION

1.1 This notice ("Notice") is issued pursuant to Section 101 of the Securities and Futures Act (Act 42 of 2001) ("SFA") to the holders of a Capital Markets Services licence.

1.2 For the preservation, nationally and internationally, of the good name of the securities industry in Singapore and recognising the need to prevent the financial system from being used in furtherance of money laundering activities (described in Section 2) arising from or in connection with drug trafficking and criminal conduct, and taking into account:

- i) the provisions of the Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act (Chapter 65A) (***the Act***); and
- ii) the Financial Action Task Force 40 Recommendations, in particular Recommendations 9 to 20,

all holders of a Capital Markets Services licence licensed under the SFA (***licensees***) shall comply with this Notice.

1.3 In this Notice, the following terms shall have the meanings ascribed to them in the Act:

- i) Terms defined under Section 2 of the Act
 - ***authorised officer***
 - ***criminal conduct***
 - ***drug trafficking***
 - ***drug trafficking offence***
 - ***foreign drug trafficking offence***
 - ***foreign serious offence***
 - ***serious offence***

ii) Terms defined under Section 36 of the Act

- ***financial transaction document***
- ***minimum retention period***

1.4 Where Singapore-incorporated licensees have branches or subsidiaries overseas, they shall ensure that their group policy on money laundering is communicated to the management of their overseas offices. The group policy shall ensure that verification of identity and record keeping are undertaken at least to the standards required under Singapore law, taking into account the laws and regulations of the host country. Where the laws and regulations of the host country and the Notice conflict, the overseas branch or subsidiary should comply with the laws and regulations of the host country and inform the head office of any departure from the group policy.

2 DESCRIPTION OF MONEY LAUNDERING

2.1 Money laundering is a process intended to mask the benefits derived from drug trafficking or criminal conduct so that they appear to have originated from a legitimate source.

2.2 Generally, the process of money laundering comprises three stages, during which there may be numerous transactions that could alert a licensee to the money laundering activity:

- i) Placement: the physical disposal of benefits of drug trafficking or criminal conduct;
- ii) Layering: the separation of benefits of drug trafficking or criminal conduct from their source by creating layers of financial transactions designed to disguise the audit trail;
- iii) Integration: the provision of apparent legitimacy to benefits of drug trafficking or criminal conduct. If the layering process succeeds, integration schemes place the laundered funds back into the economy so that they re-enter the financial system appearing to be legitimate business funds.

2.3 The chart in Annex 1 illustrates the money laundering stages in greater detail.

3 BASIC PRINCIPLES AND POLICIES TO COMBAT MONEY LAUNDERING

3.1 The Authority seeks to combat money laundering by requiring licensees to apply the following principles:

- i) Know your customer: licensees shall obtain satisfactory evidence of the customer's identity, and have effective procedures for verifying the bona fides of new customers.
- ii) Compliance with laws: licensees shall ensure that business is conducted in conformity with high ethical standards, that laws and regulations are adhered to, and that service is not provided where there is good reason to suppose that transactions are associated with money laundering activities.
- iii) Co-operation with law enforcement agencies: within legal constraints relating to customer confidentiality, licensees shall co-operate fully with law enforcement agencies. This includes taking appropriate measures allowed by law if there are reasonable grounds for suspecting money laundering. Disclosure of information by licensees for the purposes of the Act (suspicious transaction reports) shall be made to Head, Suspicious Transactions Reporting Office, Commercial Affairs Department (**STRO**). To facilitate the process, licensees shall identify a single reference point within their organisation (usually a relevant officer of the licensee) to which staff are instructed to report suspected money-laundering transactions promptly.
- iv) Policies, procedures and training: each licensee shall adopt policies consistent with the principles set out in this Notice, and ensure that its staff, wherever located, are informed of these policies and adequately trained in matters covered by this Notice. To promote adherence to these principles, licensees shall implement specific procedures for customer identification, retention of financial transaction documents, and reporting of suspicious transactions.

4 CUSTOMER IDENTIFICATION

General

4.1 Licensees shall obtain satisfactory evidence of the identity and legal existence of persons applying to do business with them. Such evidence shall be substantiated by reliable documents or other means. Licensees should also establish that any applicant claiming to act on behalf of another person is authorised to do so. There should be an explicit policy that significant business transactions will not be conducted with applicants who fail to provide evidence of their identity, but without derogating from the licensees'

obligations to report suspicious transactions. Where initial checks fail to identify the applicant, or give rise to suspicions that the information provided is false, additional verification measures should be undertaken to determine whether to proceed with the business. Details of the additional checks are to be recorded.

4.2 When a licensee acquires the business of another financial sector company or firm, either in whole or as a product portfolio, it is not necessary for the identity of all existing customers to be re-identified, provided that:

- i) all customer account records are acquired with the business; and
- ii) due diligence enquiries do not raise any doubt as to whether the anti-money laundering procedures previously adopted by the acquired business have satisfied Singapore requirements.

4.3 If during the business relationship, the licensee has reason to doubt:

- i) the accuracy of the information relating to the customer's identity;
- ii) that the customer is the beneficial owner; or
- iii) the intermediary's declaration of beneficial ownership,

or if there are any signs of unreported changes, it shall take further measures to verify the identity of the customer or the beneficial owner, as applicable.

Personal Customers

4.4 Licensees shall obtain from all personal applicants the following information:

- name and/or names used;
- permanent and mailing address;
- date of birth;
- nationality.

4.5 Licensees shall request applicants to produce original documents of identity issued by an official authority, preferably bearing a photograph of the applicants. Examples of such documents are identity cards and passports. Where practicable, file copies of documents of identity are to be kept. Alternatively, the identity card or passport number and other relevant details are to be recorded.

Verification Without Face-to-Face Contact

4.6 Licensees shall take particular care in opening accounts via the internet, post or telephone. Any mechanism that avoids face-to-face contact with applicants inevitably creates difficulty in customer identification and can be abused by money launderers to gain access to the financial system. For non-face-to-face contact, licensees should assess the money laundering risk posed by internet, postal and telephone products offered and devise customer identification procedures with due regard to this risk.

4.7 The customer identification procedures for non-face-to-face verification should be at least as stringent as those for face-to-face verification. Reasonable steps should also be taken to avoid fraud and single or multiple fictitious applications. There are a number of checks which, when undertaken successfully, will give licensees a reasonable degree of assurance as to the identity of the applicant where there is no face-to-face contact. For example,

- telephone contact with the applicant at an independently verified home or business number;
- subject to the applicant's consent, telephone confirmation of the applicant's employment with the employer's personnel department at a listed business number;
- salary details appearing on recent bank statements;
- statements and/or advice from the Central Provident Fund Board;
- confirmation of the address through an exchange of correspondence or by other appropriate methods.

An initial deposit cheque drawn on another financial institution regulated by the Authority will provide additional comfort.

4.8 For non-Singapore residents who wish to open accounts without face-to-face contact, any branches, subsidiaries, head offices or correspondent banks in the applicant's country of residence may be used to confirm identity or check identity verification details. Where the licensee has no group presence or correspondent relationship in the applicant's country of residence, then a copy of the document of identity, certified by lawyers or notary publics, should be requested.

Corporate and Other Business Customers

4.9 Before establishing a business relationship, a company search and/or other commercial enquiries shall be made to ensure that the corporate/other business applicant has not been, or is not in the process of being, dissolved, struck off, wound-up or terminated. In the event of doubt as to the identity of the company or its directors, or the business or its partners, a search with the Registry of Companies and Businesses shall be made.

4.10 The following relevant documents shall be obtained in respect of corporate/other business applicants which are registered in Singapore:

- copies of the Certificate of Incorporation, Certificate of Partnership, or Certificate of Registration, as appropriate; and
- appropriate directors' resolutions (certified extracts only), signed application forms or account opening authority containing specimen signatures.

4.11 The originals or certified copies of certificates (issued by the Registrar of Companies and Businesses) should be produced for verification.

4.12 For companies, businesses or partnerships registered outside Singapore, comparable documents are to be obtained. However, as different countries have varying standards of control, attention should be paid to the place of origin of the documents and the background against which they are produced. The originals or certified copies of certificates (issued by foreign authorities) should be produced for verification.

4.13 Where the applicant is an unlisted company, or an unincorporated business (e.g. a partnership), and none of the directors/partners is already known to the licensee, the licensee shall identify one or more of the principal directors, partners or shareholders according to customer identification procedures for personal applicants.

4.14 In addition, if significant changes to the company structure or ownership occur subsequently, or suspicions are aroused by a change in the payment profile through a company account, further checks are to be made.

Clubs, Societies and Charities

4.15 If the applicant is a club, society or charity, licensees shall require the constitution (or other similar documents) of the applicant to be produced to ensure that it is properly constituted and registered. Where there is more than one signatory to the account, the identity of at least two signatories shall be verified according to customer identification procedures for personal applicants. When signatories change, care should be taken to ensure that the identity of at least two current signatories has been verified.

Shell Companies

4.16 Shell companies are legal entities which have no business substance in their own right but through which financial transactions may be conducted. Licensees should note that shell companies may be abused by money launderers and therefore be cautious in their dealings with them. In addition to the requirement under paragraph 4.10, licensees should also obtain satisfactory evidence of the identity of the beneficial owners, bearing in mind the "Know-Your-Customer" principle.

Trust, Nominee and Fiduciary Accounts

4.17 Trust, nominee and fiduciary accounts can be used to avoid customer identification procedures and mask the origin of benefits of drug trafficking or

criminal conduct. Licensees are to establish whether the applicant for business relationship is acting on behalf of another person as trustee, nominee or agent (*intermediary*). Licensees should obtain satisfactory evidence of the identity of intermediaries and authorised signatories, and the nature of their trustee or nominee capacity and duties.

4.18 Where the intermediary is a financial institution authorised and supervised by the Authority in respect of its business in Singapore or is a subsidiary of such an institution, it shall be reasonable for the licensee to rely on the intermediary to verify or confirm the identity of the beneficial owners.

4.19 Where the intermediary is a financial institution supervised by an overseas regulatory authority and is based or incorporated in a country in which there are in force provisions at least equivalent to those in this Notice, it shall be reasonable for licensees to accept a written assurance from the intermediary that evidence of the identity of the beneficial owners has been obtained, recorded and retained, and that the intermediary is satisfied as to the source of funds. For this purpose, licensees should obtain a written statement from the intermediary, and affix the statement to the original account opening documentation.

4.20 Where the intermediary does not fall into any of the categories in paragraphs 4.18 and 4.19, licensees should obtain satisfactory evidence of the identity of the beneficial owners and the source of funds. The licensee should obtain in writing the relevant information from the intermediary, which must at least include the information specified in [Appendix I](#).

4.21 If satisfactory evidence of the beneficial owners cannot be obtained, licensees shall consider whether to proceed with the business, bearing in mind the "Know-Your-Customer" principle. If they decide to proceed, they are to record any misgiving and give extra attention to monitoring the account in question. Suspicious transactions are to be reported in accordance with the procedures in Section 6 below.

4.22 Paragraphs 4.17 to 4.21 shall also apply to client accounts that are opened by sales and distribution agents or other third party performing some or all of the functions on behalf of the principal.

Client Accounts Opened by Solicitors or Accountants

4.23 Where the intermediary is a firm of solicitors or accountants, its professional code of conduct may preclude it from divulging to licensees information concerning its clients. It may therefore not be possible for a licensee to establish the identity of the person(s) for whom the intermediary is acting. However, the licensee should not be precluded from making reasonable enquiries about transactions passing through the intermediary's clients' accounts that give cause for concern or from reporting those transactions if any suspicion is aroused. If a money laundering enquiry arises in respect of such clients' accounts, law enforcement agencies will seek

information directly from the intermediary as to the identity of its client and the nature of the relevant transaction.

Transactions Undertaken on Behalf of Account Holders

4.24 Where transactions are undertaken on behalf of account holders of a licensee, particular care shall be taken to ensure that the person giving instructions is authorised to do so by the account holder.

5 RECORD KEEPING

5.1 Licensees shall prepare and maintain documentation on their customer relationships and transactions such that:

- i) requirements of legislation are fully met;
- ii) the relevant authorities in Singapore and the internal and external auditors of the licensee will be able to judge reliably the licensee's transactions and its compliance with the Notice;
- iii) any transaction effected via the licensee can be reconstructed; and
- iv) the licensee can satisfy within a reasonable time any enquiry or order from the relevant authorities in Singapore as to disclosure of information, including without limitation whether a particular person is the customer or beneficial owner of transactions conducted through the licensees.

5.2 When setting document retention policy, licensees must take into account the requirements of the Act. The following document retention periods shall be followed:

- i) financial transaction documents relating to the opening of an account are to be kept for 6 years after the date the account is closed; and
- ii) other financial transaction documents are to be kept for 6 years after the date on which the transaction takes place.

5.3 Financial transaction documents may be retained as originals or copies, on microfilm, or in electronic form, provided that such forms are admissible in court. Notwithstanding paragraph 5.2, if the records relate to on-going investigations or transactions that have been the subject of a disclosure, they shall be retained beyond the stipulated retention period until it is confirmed that the case has been closed.

6 SUSPICIOUS TRANSACTIONS

6.1 Each licensee shall clarify the economic background and purpose of any transaction or business relationship if its form or amount appears unusual in relation to the customer, or if the economic purpose or legality of the transaction is not immediately clear. In this regard, licensees should exercise due diligence by implementing adequate systems for identifying and detecting suspicious transactions.

6.2 Examples of suspicious transactions are found in Appendix II. These are not intended to be exhaustive and only provide examples of the most basic ways in which money may be laundered. Identification of any transaction listed in Appendix II should prompt initial enquiries and, if necessary, further investigations on the source of funds.

6.3 Each licensee shall institute a system for reporting suspicious transactions under the Act. This may include appointing one or more senior persons, or an appropriate unit responsible for reporting to STRO. A copy of the suspicious transaction report should also be sent to the Authority. The reporting formats are set out in Appendices III to V. In the event that urgent disclosure is required, particularly when the account concerned is part of an on-going investigation, an initial notification should be made by telephone.

6.4 The obligation to report is on the individual who becomes suspicious of a money laundering transaction. Officers and employees of the licensee who deal with customers should be made aware of the statutory obligation to report suspicious transactions under the licensees' reporting system.

6.5 Where:

- i) a customer transfers or seeks to invest funds, or
- ii) the licensee holds funds on behalf of a customer,

and an employee of the licensee knows that the customer has engaged in drug trafficking or criminal conduct, the matter must be promptly reported to the relevant officer or unit within the organisation who, in turn, must immediately report the details to STRO. If the employee suspects or has reasonable grounds to suspect that the customer has engaged in drug trafficking or criminal conduct, the officer or unit, on receiving the employee's report, must promptly evaluate whether there are reasonable grounds for such belief and must then immediately report the case to STRO unless the officer or unit considers, and records an opinion, that such reasonable grounds do not exist.

6.6 Each licensee shall maintain a complete file on all transactions that have been brought to the attention of the relevant officer or unit, including transactions that are not reported to STRO.

6.7 Where it is known that a report has already been disclosed to STRO and it becomes necessary to make further enquiries of the customer, care should be taken to ensure that the customer does not become aware that his name has been brought to the attention of STRO.

6.8 Under Section 39 of the Act, where licensees disclose to an authorised officer¹ a knowledge, suspicion or belief that any fund, property or investment is derived from or used in connection with drug trafficking, criminal conduct or any matter on which such a knowledge, suspicion or belief is based, such disclosure shall not be treated as a breach of any restriction upon the disclosure of information imposed by law, contract or by rules of professional conduct. Furthermore, under Section 39 of the Act, licensees would not be liable for any loss arising out of such disclosure, or any act or omission, in relation to the fund, property or investment in consequence of the disclosure.

7 COMPLIANCE AND TRAINING

7.1 Each licensee shall appoint one or more senior persons, or an appropriate unit, to advise its management and staff on the issuing and enforcement of in-house instructions to promote adherence to the Notice, including personnel training, reporting of suspicious transactions, and generally, all matters relating to the prevention of money laundering.

7.2 Each licensee shall appoint a senior officer as the compliance officer or set up a designated compliance unit headed by a senior officer. The object is to ensure a speedy and appropriate reaction to any matter that requires special attention under the Notice and the Act.

7.3 The licensees' in-house audit department shall monitor regularly the effectiveness of the measures taken by the licensees in preventing money laundering.

7.4 The licensee shall train local and overseas staff to be fully aware of their responsibilities in combating money laundering and to be familiar with its system for reporting and investigating suspicious matters.

7.5 A licensee may, due to the scale and nature of their operations, assign the internal audit or training functions to another person (e.g. professional association, parent company or external auditors). Where a licensee delegates its responsibilities for audit and training, due diligence is to be exercised to ensure that the persons appointed are able to perform these functions effectively.

7.6 All relevant staff should be educated in the importance of the "Know-Your-Customer" requirements to prevent money laundering. Training in this respect should cover not only the need to know the true identity of the applicant for business relationship but also, where a business relationship has

¹ This includes the designated officers of the Authority.

been established, the need to know enough about the expected type of business activities of that customer at the outset in order to know what might constitute suspicious activity at a future date. Relevant staff should be alert to any change in the pattern of a customer's transactions or circumstances that might constitute money laundering.

7.7 Although senior management of a licensee may not be involved in the day-to-day procedures, it is important that they understand the statutory duties placed on them, their staff, and the licensee itself. Some form of training to raise general awareness of senior management of their statutory duties is therefore suggested.

7.8 Timing and content of training for various sectors of staff will need to be adapted by the licensee for its own needs. The following is recommended:

i) New Staff

A general appreciation of the background to money laundering, the need to be able to identify suspicious transactions and report such transactions to the appropriate designated point within the licensee, and the offence of "tipping off" should be provided to all new staff who deal with customers or their transactions, irrespective of the level of seniority.

(ii) Cashiers/Representatives/Advisory Staff

Personnel who deal directly with the public are the first point of contact with potential money launderers. Their efforts are therefore vital to the licensees' reporting system for such transactions. They should be trained to identify suspicious transactions and on the procedure to be adopted when a transaction is deemed to be suspicious. They should also be aware that the offer of suspicious funds or the request to undertake a suspicious transaction needs to be reported to the relevant authorities whether or not such funds are accepted or transactions proceeded with. In addition, the need to verify the identity of the customer must be understood, and training should be given for customer identification procedures.

iii) Supervisors and Managers

A higher level of instruction covering all aspects of money laundering procedures should be provided to supervisors and managers. This will include the offences and penalties arising from the Act, procedures relating to service of production and restraint orders, internal reporting procedures, and the requirements for verification of identity and the retention of records.

7.9 Refresher training should be provided at regular intervals to ensure that staff are reminded of their responsibilities and are kept informed of new developments.

8 SUMMARY OF KEY PROVISIONS OF THE ACT

Money laundering offences

8.1 It is an offence for licensees to:

- i) enter into or otherwise be concerned in an arrangement knowing or having reasonable grounds to believe that by that arrangement:
 - a) it will facilitate the retention or control of benefits of drug trafficking or criminal conduct by/on behalf of; or
 - b) the benefits of drug trafficking or criminal conduct are used to secure funds or acquire property (by way of investment or otherwise) for,

another person (whom the licensee knows or has reasonable grounds to believe has been/is involved in, or has benefited from, drug trafficking or criminal conduct);
- ii) conceal or disguise; or convert, transfer, or remove from the jurisdiction, any property which, in whole or in part, directly or indirectly, represents another person's benefits of drug trafficking or criminal conduct (for the purpose of assisting any person to avoid prosecution for a drug trafficking offence, foreign drug trafficking offence, serious offence or foreign serious offence or the enforcement of a confiscation order issued under the Act); or
- iii) acquire any property for no or inadequate consideration, knowing, or having reasonable grounds to believe, that the property, in whole or in part, directly or indirectly, represents another person's benefits of drug trafficking or criminal conduct.

Offences under this paragraph are punishable by a fine not exceeding \$200,000, or imprisonment for a term not exceeding 7 years, or both.

Disclosure of Suspicious Transactions

8.2 Licensees shall disclose suspicious transactions to an authorised officer when they know or have reasonable grounds to suspect that any property:

- i) in whole or in part, directly or indirectly, represents proceeds of drug trafficking or criminal conduct; or
- ii) was used/will be used in connection with drug trafficking or criminal conduct.

Failure to disclose such knowledge, suspicion, or other related information amounts to an offence which is punishable by a fine not exceeding \$10,000.

Tipping Off

8.3 It is an offence for licensees, knowing or having reasonable grounds to suspect that an investigation under the Act is taking/to take place, to make a disclosure which is likely to prejudice such investigation. This is a tipping off offence punishable by a fine not exceeding \$30,000, or imprisonment for a term not exceeding 3 years, or both.

Failure to co-operate with law enforcement agencies

8.4 The following acts constitute an offence under the Act:

- i) contravening a production order issued by the Court under the Act without reasonable excuse;
- ii) providing material known to be false or misleading in purported compliance with a production order, without:
 - a) indicating that the material is false or misleading, and how it is false or misleading; or
 - b) providing correct information which is in the licensees' possession or can reasonably be acquired by them;
- iii) hindering or obstructing an authorised officer in the execution of a search warrant issued under the Act; or
- iv) obstructing or hindering any authorised officer in the discharge of his duty under the Act.

Offences under paragraphs (i) to (iii) are punishable by a fine not exceeding \$10,000, or imprisonment for a term not exceeding 2 years, or both. The offence under paragraph (iv) is punishable by a fine not exceeding \$2,000, or imprisonment for a term not exceeding 6 months, or both.

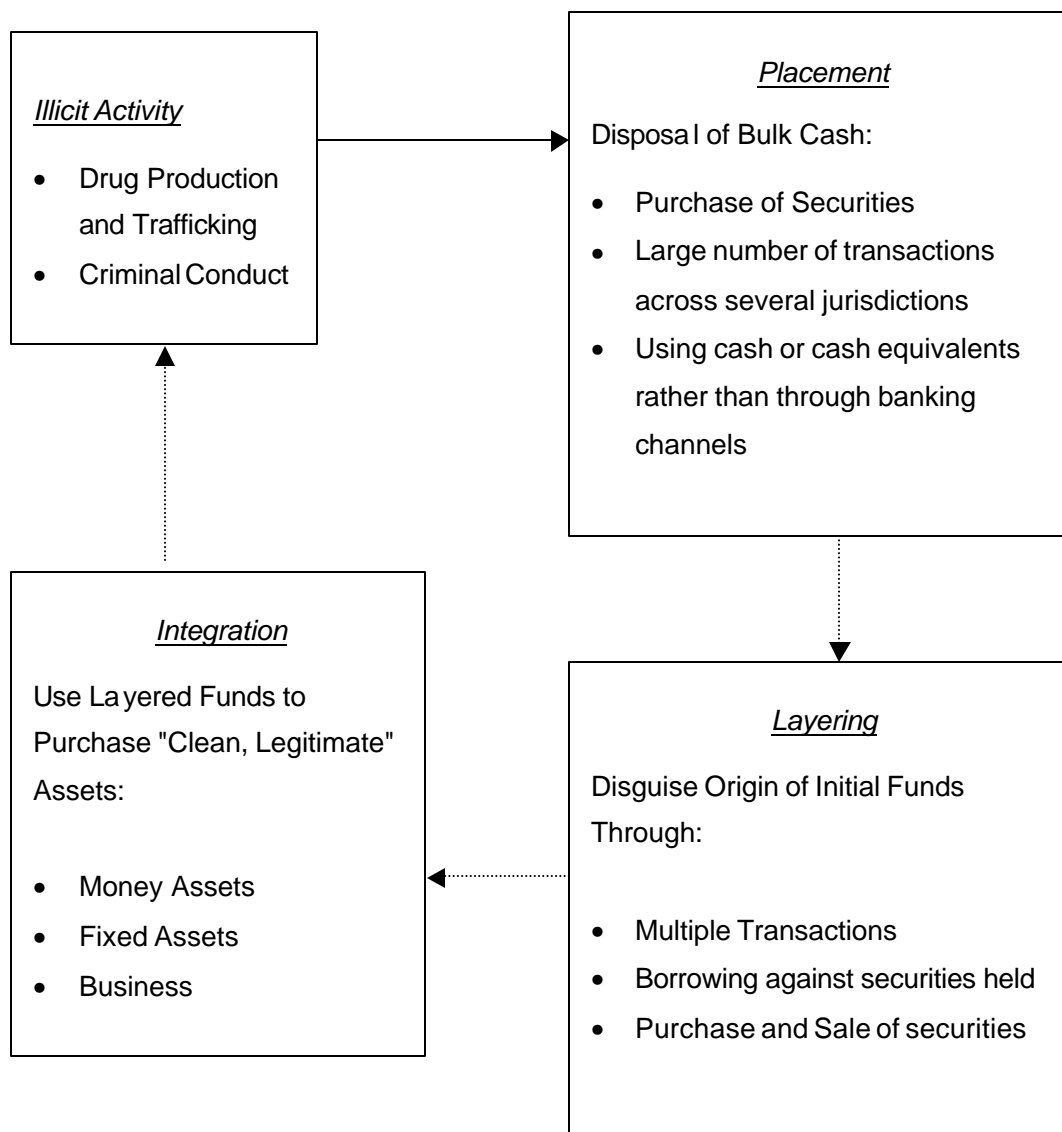
Record Retention

8.5 Licensees are required to retain each financial transaction document or a copy of it for the relevant minimum retention period. Such documents are to be stored in a manner that is reasonably practicable to retrieve them. In addition, licensees shall retain a copy, and maintain a register, of financial transaction documents released by the licensee under Section 38 of the Act. Failure to observe any of these requirements amounts to an offence which is punishable by a fine not exceeding \$10,000.

8.6 Licensees should note that some of the statutory obligations and prohibitions, which give rise to the offences described in paragraphs 8.1 to 8.5, also apply to their employees.

8.7 Section 8 of this Notice (or any reference to the Act in other parts of this Notice) does not constitute a legal interpretation of the Act, and should not be construed as an exhaustive write-up on all relevant provisions in the Act applicable to licensees. Licensees are advised to seek legal counsel where necessary.

PROCESS OF MONEY LAUNDERING



APPENDIX I

INTERMEDIARY INTRODUCTION CERTIFICATE

Particulars Of Intermediary

NAME: _____

ADDRESS: _____

NATURE OF BUSINESS: _____

I/We certify that in accordance with the requirements of the Notice on Prevention of Money Laundering issued by the Monetary Authority of Singapore under Section 101 of the Securities and Futures Act (Act 42 of 2001), the following information is correct.

Individual(s) on whose behalf the application is made by the intermediary:

I/We wish to apply for an account(s) on behalf of the following named individual(s).

1. True copies of identity cards/passports relating to all such individual(s), i.e. the underlying principal(s) are enclosed.
2. Evidence of authority for the intermediary to act on behalf of the individual(s) e.g. a trust deed is enclosed.
3. I/We confirm the main occupation of the individual(s) is/are:

4. I am/We are *satisfied/not satisfied as to the source of funds passing through the account.

Corporate(s) on whose behalf the application is made by the intermediary:

I/We wish to apply for an account(s) on behalf of the following named corporate(s).

1. The following documentation or its equivalent is enclosed in relation to the above corporate(s):

- Certificate of Incorporation (or true copy);
- True copies of identity cards/passports of all authorized signatories;
- True copies of identity cards/passports of at least 2 directors;
- True copies of identity cards/passports of principal shareholders (include those entitled to exercise, or control the exercise of, 10% or more of the voting rights of the company) if they are neither the authorized signatories nor directors;
- Completed mandate including authority to open account;
- Evidence of authority for the intermediary to act on its behalf.

2. I/We confirm the main business activities of the corporate(s) are:

3. I am/We are *satisfied/not satisfied as to the source of funds passing through the account.

SIGNED BY INTERMEDIARY

DATE

APPENDIX II

EXAMPLES OF SUSPICIOUS TRANSACTIONS

1 General Comments

The list of situations given below is intended mainly as a means of highlighting the basic ways in which money may be laundered. While each individual situation may not be sufficient to suggest that money laundering is taking place, a combination of such situations may be indicative of such a transaction. Further, the list is by no means complete, and will require constant updating and adaptation to changing circumstances and new methods of laundering money. The list is intended solely as an aid, and must not be applied as a routine instrument in place of common sense.

A customer's declarations regarding the background of such transactions should be checked for plausibility. Not every explanation offered by the customer can be accepted without scrutiny.

It is justifiable to suspect any customer who is reluctant to provide normal information and documents required routinely by the licensee in the course of the business relationship. Licensees should pay attention to customers who provide minimal, false or misleading information or, when applying to open an account, provide information that is difficult or expensive for the licensee to verify.

2 Transactions Which Do Not Make Economic Sense

- i) Transactions not in keeping with the customer's normal activity, the financial markets in which the customer is active and the business which the customer operates.
- ii) Buying and selling of a security with no discernible purpose in circumstances which appear unusual, e.g. churning at the customer's request.
- iii) Transactions not in keeping with normal practice in the market in which they relate, e.g. with reference to market size and frequency, or at off-market prices, early termination of products at a loss due to front end loading, or early cancellation, especially where cash had been tendered and/or the refund cheque is to a third party.
- iv) Other transactions linked to the transaction in question which could be designed to disguise money and divert it into other forms or to other destinations or beneficiaries.

- v) The entry of matching buys and sells in particular securities ("wash trading"), creating an illusion of trading. Such wash trading does not result in a bona fide market position, and might provide "cover" for a money launderer.
- vi) Wash trading through multiple accounts might be used to transfer funds between accounts by generating offsetting losses and profits in different accounts. Transfers of positions between accounts that do not appear to be commonly controlled also could be a warning sign.
- vii) Abnormal settlement instructions including payment to apparently unconnected parties.
- viii) Transactions in which funds were received by way of a third party cheque, especially where there is no apparent connection between the third party and the customer.
- ix) A sudden request for a significant purchase of a lump sum contract from an existing customer whose current contracts are small and of regular payment only.

3 Transactions Involving Overseas Jurisdictions

- i) A customer introduced by an overseas bank, affiliate or other customer, when both customer and introducer are based in countries where production of drugs or drug trafficking may be prevalent.
- ii) A large number of security transactions across a number of jurisdictions.

4 Transactions Involving Unidentified Parties

- i) A personal customer for whom verification of identity proves unusually difficult and who is reluctant to provide details.
- ii) A corporate/trust customer where there are difficulties and delays in obtaining copies of the accounts or other documents of incorporation.
- iii) Any transaction in which the counterparty to the transaction is unknown.
- iv) Settlement either by registration or delivery of securities to be made to an unverified third party.
- v) Customers who wish to maintain a number of trustee or customers' accounts that do not appear consistent with their

type of business, including transactions that involve nominee names.

5 Miscellaneous

- i) Large or unusual transactions in cash or bearer form, remittances and transfers of funds, etc.
- ii) The use by a customer of a licensee as a place to hold funds that are not being used to trade in securities.
- iii) A customer who deals with a licensee only in cash or cash equivalents rather than through banking channels.
- iv) Transactions in which funds are received from or paid to a customer's account in a financial haven country, or in foreign currency especially when such transactions are not consistent with the customer's transaction history.
- v) A person may exercise cancellation rights on unit trusts products where the sum invested must be repaid (subject to any shortfall deductions where applicable). This could offer a readily available route for laundering money, and licensee should therefore be alert to any abnormal exercise of cancellation rights by any person. In the event that abnormal exercise of these rights becomes apparent, the matter should be treated as suspicious and reported through the usual channels.

Suspicious Transactions Report - Section 39
Corruption, Drug Trafficking and Other Serious Crimes
(Confiscation of Benefits) Act

NATURAL PERSONS

Reporting Holder of a Capital Markets Services Licence	
Name:	
Address:	
Telephone:	
Reporting Officer	
Name:	
Designation:	
Report Reference:	
Contact Officer: <i>(If different from Reporting Officer)</i>	
Designation:	
Customer's Particulars	
Name:	
NRIC/Passport No.:	
Birth Date:	
Nationality:	
Address:	
Telephone:	
Occupation:	
Employment Details	
Employer's Name:	
Address:	
Telephone:	
Business Relationship(s) with Customer	
A/c No.:	
Type of A/c:	
Date A/c Opened:	
Cash Balance (Dr/Cr*) <i>(if applicable)</i>	
As At Date:	
Balance of Securities Account/ Securities Portfolio: + <i>(if applicable)</i>	
As At Date: +	
Other Business Relationships:	

* Delete whichever is inappropriate.

+ Please provide information on separate sheets.

Suspicious Transaction(s) ²		
Amount	Date	Description of Transaction (E.g. Funds/Securities Received from or Paid to, etc.)

Reason(s) for Suspicion:

Other Relevant Information (Including Any Actions Taken):

A copy of the following documents are attached:

- Customer Identification Documents
- Relevant Documents Supporting the Suspicious Transactions

(Signature of Reporting Officer)

Date:

² Please indicate currency used, and in the case of transactions in securities to also include the name of the security, unit price, quantity bought or sold, and manner in which security was acquired or disposed of.

* Delete whichever is inappropriate.

+ Please provide information on separate sheets.

Suspicious Transactions Report - Section 39
Corruption, Drug Trafficking and Other Serious Crimes
(Confiscation of Benefits) Act

CORPORATIONS

Reporting Holder of a Capital Markets Services Licence	
Name:	
Address:	
Telephone:	
Reporting Officer	
Name:	
Designation:	
Report Reference:	
Contact Officer: <i>(If different from Reporting Officer)</i>	
Designation:	
Customer's Particulars	
Name:	
Country of Registration:	
Registration Date:	
Registration No.:	
Address:	
Telephone:	
Name of CEO:	
Business Relationship(s) with Customer	
A/c No.:	
Type of A/c.:	
Date A/c Opened:	
Cash Balance (Dr/Cr*) <i>(If applicable)</i>	
As At Date:	
Balance of Securities Account/ Securities Portfolio: + <i>(if applicable)</i>	
As At Date: +	
Other Business Relationships:	

* Delete whichever is inappropriate.

+ Please provide information on separate sheets.

Authorised Signatories' Particulars #

1. Name:	
Birth Date:	
Nationality:	
NRIC/Passport No.:	
Home Address:	

The reporting officer of the holder of a capital markets services licence shall provide data on other authorised signatories, if any.

Suspicious Transaction(s)³		
Amount	Date	Description of Transaction (E.g. Funds/Securities Received from or Paid to, etc.)

Reason(s) for Suspicion:

Other Relevant Information (Including Any Actions Taken):

A copy of the following documents are attached:

- Customer Identification Documents
- Relevant Documents Supporting the Suspicious Transactions

(Signature of Reporting Officer)

Date:

³ Please indicate currency used, and in the case of transactions in securities to also include the name of the security, unit price, quantity bought or sold, and manner in which security was acquired or disposed of.

* Delete whichever is inappropriate.

+ Please provide information on separate sheets.

Suspicious Transactions Report - Section 39
Corruption, Drug Trafficking and Other Serious Crimes
(Confiscation of Benefits) Act

*** PARTNERSHIPS/ SOLE PROPRIETORS/ CLUBS & SOCIETIES**

Reporting Holder of a Capital Markets Services Licence	
Name:	
Address:	
Telephone:	
Reporting Officer	
Name:	
Designation:	
Report Reference:	
Contact Officer: <i>(If different from Reporting Officer)</i>	
Designation:	
Customer's Particulars	
Name:	
Country of Registration:	
Registration Date:	
Registration No.:	
Address:	
Telephone:	
Name of Partners/ Sole-Proprietors/ Trustees or equivalent:	
Business Relationship(s) with Customer	
A/c No.:	
Type of A/c.:	
Date A/c Opened:	
Cash Balance (Dr/Cr*) <i>(if applicable)</i>	
As At Date:	
Balance of Securities Account/ Securities Portfolio: + <i>(if applicable)</i>	
As At Date: +	
Other Business Relationships:	

* Delete whichever is inappropriate.

+ Please provide information on separate sheets.

Authorised Signatories' Particulars #	
1. Name:	
Birth Date:	
Nationality:	
NRIC/Passport No.:	
Home Address:	
Occupation:	
Employer's Name: <i>(If applicable)</i>	
Address:	

The reporting officer of the holder of a capital markets services licence shall provide data on other authorised signatories, if any.

Suspicious Transaction(s) ⁴		
Amount (Dr/Cr*)	Date	Description of Transaction (E.g. Funds transfer, source of funds, destination, etc.)

Reason(s) for Suspicion:

Other Relevant Information (Including Any Actions Taken):

A copy of the following documents are attached:

- Customer Identification Documents
- Relevant Documents Supporting the Suspicious Transactions

(Signature of Reporting Officer)

Date:

⁴ Please indicate currency used, and in the case of transactions in securities to also include the name of the security, unit price, quantity bought or sold, and manner in which security was acquired or disposed of.

* Delete whichever is inappropriate.

+ Please provide information on separate sheets.