

MAS 3001

2 July 2007

NOTICE TO HOLDERS OF MONEY-CHANGER'S LICENCE AND REMITTANCE
LICENCE

MONETARY AUTHORITY OF SINGAPORE ACT, CAP. 186

**PREVENTION OF MONEY LAUNDERING AND COUNTERING THE FINANCING OF
TERRORISM - HOLDERS OF MONEY-CHANGER'S LICENCE AND REMITTANCE
LICENCE**

1 INTRODUCTION

- 1.1 This Notice is issued pursuant to section 27B of the Monetary Authority of Singapore Act (Cap. 186) and applies to all holders of a money-changer's licence and all holders of a remittance licence ("licensee") issued under sections 7 and 7A of the Money-changing and Remittance Businesses Act (Cap. 187) respectively.
- 1.2 This Notice shall take immediate effect.

2 DEFINITIONS

- 2.1 For the purposes of this Notice —

"AML/CFT" means anti-money laundering and countering the financing of terrorism;

"beneficial owner", in relation to a customer of a licensee, means the natural person who ultimately owns or controls a customer or the person on whose behalf a relevant business transaction is being conducted and includes the person who exercises ultimate effective control over a body corporate or unincorporate;

"company" includes a body corporate formed or established outside Singapore under the law of the country or jurisdiction;

"CDD measures" or "customer due diligence measures" means the process of identifying the customer and obtaining information required by paragraph 4;

"customer", in relation to a licensee, means a person for whom the licensee undertakes or intends to undertake a relevant business transaction;

"FATF" means the Financial Action Task Force;

“government entity” means a government of a country or jurisdiction, a ministry within such a government, or an agency specially established by such a government through written law;

“licensee” means a holder of a money-changer’s licence or a holder of a remittance licence under sections 7 and 7A of the Money-Changing and Remittance Businesses Act (Cap. 187) respectively;

“relevant business transaction” means —

- (a) in relation to a holder of a money-changer’s licence —
 - (i) a money-changing transaction of an aggregate value not less than S\$5,000; or
 - (ii) an inward remittance transaction from another country or jurisdiction to Singapore; or
- (b) in relation to a holder of a remittance licence, a remittance transaction, whether from Singapore to another country or jurisdiction or from another country or jurisdiction to Singapore;

“STR” means suspicious transaction report; and

“STRO” means the Suspicious Transactions Reporting Office, Commercial Affairs Department of the Singapore Police Force.

- 2.2 A reference to any threshold or value limit expressed in S\$ shall include a reference to the equivalent amount expressed in any other currency.
- 2.3 A reference to the completion of CDD measures is a reference to the situation when the licensee has received satisfactory responses to all inquiries.
- 2.4 Unless the context otherwise requires, a reference to a financial institution supervised by the Authority does not include a person who is exempted from licensing, approval or regulation by the Authority.

3 UNDERLYING PRINCIPLES

- 3.1 This Notice is based on the following principles, which shall serve as a guide for all licensees in the conduct of their operations and business activities:
 - (a) a licensee must exercise due diligence when dealing with customers, persons appointed to act on the customer’s behalf and beneficial owners.

- (b) a licensee must conduct its business in conformity with high ethical standards, and guard against undertaking any relevant business transaction that is or may be connected with or may facilitate money laundering or terrorist financing.
- (c) a licensee should, whenever possible and to the fullest extent possible, assist and cooperate with the relevant law enforcement authorities in Singapore in preventing money laundering and terrorist financing.

4 CUSTOMER DUE DILIGENCE

When CDD Measures are to be Performed

- 4.1 A licensee shall perform CDD measures in accordance with this Notice when—
- (a) the licensee undertakes a relevant business transaction for any customer;
 - (b) there is a suspicion of money laundering or terrorist financing, notwithstanding that the licensee would otherwise not be required by this Notice to perform CDD measures; or
 - (c) the licensee has doubts about the veracity or adequacy of any information previously obtained.

CDD Measures where Relevant Business Transactions are Established

(l) Identification of Customers

- 4.2 A licensee shall identify each customer for whom the licensee undertakes a relevant business transaction.
- 4.3 Where a licensee suspects that two or more relevant business transactions are or may be related, linked or the result of a deliberate restructuring of an otherwise single relevant business transaction into smaller transactions in order to evade the thresholds provided for in this Notice, the licensee shall aggregate them and treat them as a single relevant business transaction for the purposes of this Notice.
- 4.4 For the purpose of paragraph 4.2, a licensee shall obtain and record information of the customer, including but not limited to the following:
- (a) Full name, including any aliases;
 - (b) Unique identification number (such as an identity card number, birth certificate number or passport number, or where the customer is not a

natural person, the incorporation number or business registration number);

- (c) Existing residential address, registered or business address (as may be appropriate) and contact telephone number(s);
- (d) Date of birth, incorporation or registration (as may be appropriate); and
- (e) Nationality or place of incorporation or registration (as may be appropriate).

4.5 Where the customer is a company, the licensee shall, apart from identifying the customer, also identify the directors of the company.

4.6 Where the customer is a partnership or a limited liability partnership, the licensee shall, apart from identifying the customer, also identify the partners.

4.7 Where the customer is any other body corporate or unincorporate, the licensee shall, apart from identifying the customer, also establish the identity of the persons having executive authority in that body corporate or unincorporate.

(II) Verification of Identity

4.8 A licensee shall verify the identity of the customer using reliable, independent sources.

4.9 A licensee shall retain copies of all reference documents used to verify the identity of the customer.

(III) Identification and Verification of Identity of Natural Persons Appointed to Act on the Customer's Behalf

4.10 Where the customer appoints one or more natural persons to act on his behalf to undertake relevant business transactions with the licensee, or the customer is not a natural person, a licensee shall—

- (a) identify the natural persons that act or are appointed to act on behalf of the customer;
- (b) verify the identity of these persons using reliable, independent sources; and
- (c) retain copies of all reference documents used to verify the identity of these persons.

- 4.11 A licensee shall verify the due authority of such persons to act on behalf of the customer.
- 4.12 A licensee shall verify the due authority of such persons to act by obtaining, including but not limited to the following:
- (a) the appropriate documentary evidence that the customer has appointed the persons to act on its behalf, and
 - (b) the specimen signatures of the persons appointed.
- 4.13 Where the customer is a Singapore government entity, the licensee shall only be required to obtain such information as may be required to confirm that the customer is a Singapore government entity as asserted.

(IV) Identification and Verification of Identity of Beneficial Owners

- 4.14 Subject to paragraph 4.17, a licensee shall inquire if there exists any beneficial owner in relation to a customer.
- 4.15 Where there is one or more beneficial owner in relation to a customer, the licensee shall take reasonable measures to obtain information sufficient to identify and verify the identities of the beneficial owners.
- 4.16 Where the customer is not a natural person, the licensee shall take reasonable measures to understand the ownership and control structure of the customer.
- 4.17 A licensee shall not be required to inquire if there exists any beneficial owner in relation to a customer that is —
- (a) a Singapore government entity;
 - (b) a foreign government entity;
 - (c) an entity listed on the Singapore Exchange;
 - (d) an entity listed on a stock exchange outside of Singapore that is subject to regulatory disclosure requirements;
 - (e) a financial institution supervised by the Authority (other than a holder of a money changer's licence or a holder of a remittance licence, unless specifically notified by the Authority);
 - (f) a financial institution incorporated or established outside Singapore that is subject to and supervised for compliance with AML/CFT requirements consistent with standards set by the FATF ; or

- (g) an investment vehicle where the managers are financial institutions —
 - (i) supervised by the Authority; or
 - (ii) incorporated or established outside Singapore but are subject to and supervised for compliance with AML/CFT requirements consistent with standards set by the FATF,

unless the licensee suspects that the relevant business transaction is connected with money laundering or terrorist financing.

4.18 For the purposes of paragraphs 4.17(f) and 4.17(g)(ii), a licensee shall document the basis for its determination that the requirements in those paragraphs have been duly met.

(V) Review of relevant business transactions

4.19 Where a licensee enters into one or more relevant business transactions with a customer, the licensee shall review the earlier transactions undertaken by that customer to ensure that the current transaction is consistent with the licensee's knowledge of the customer.

4.20 A licensee shall pay special attention to all complex or unusually large relevant business transactions or unusual patterns of transactions that have no apparent or visible economic or lawful purpose.

4.21 A licensee shall, to the extent possible, inquire into the background and purpose of such relevant business transactions in paragraph 4.20 and document their findings with a view to making this information available to the relevant competent authorities should the need arise.

Non-Face-to-Face Verification

4.22 No licensee shall undertake any relevant business transaction without face-to-face contact with the customer except with the prior approval in writing of the Authority which may attach such conditions and qualifications as it thinks fit.

Time for Completion of CDD Measures

4.23 No licensee shall undertake any relevant business transaction unless the licensee completes the CDD measures as specified in Paragraph 4.

4.24 Where the licensee is unable to complete CDD measures, it shall consider if the circumstances are suspicious so as to warrant the filing of an STR.

Existing Customers

- 4.25 A licensee shall perform such CDD measures as may be appropriate to its existing customers having regard to its own assessment of materiality and risk.

5 SIMPLIFIED CUSTOMER DUE DILIGENCE

- 5.1. No licensee shall perform simplified CDD measures in relation to the customer, natural person appointed to act on behalf of the customer or beneficial owner except with the prior approval in writing of the Authority which may attach such conditions and qualifications as it thinks fit.
- 5.2. The Authority shall not grant the approval if the customers, natural persons appointed to act on behalf of the customer or beneficial owners are from or in countries and jurisdictions known to have inadequate AML/CFT measures, as determined by the licensee for itself or notified to licensees generally by the Authority or by other foreign regulatory authorities.
- 5.3. Subject to paragraph 5.2, the Authority may refuse to grant the approval under paragraph (1) if the Authority is satisfied that—
- (a) the risks of money laundering or terrorist financing are high; and
 - (b) the simplified CDD measures proposed by the licensee will not effectively identify and verify the identity of the customer, natural person appointed to act on behalf of the customer or beneficial owner.

6 ENHANCED CUSTOMER DUE DILIGENCE

Politically Exposed Persons

- 6.1. For the purposes of paragraph 6—
- “politically exposed person” means —
- (a) a natural person who is or has been entrusted with prominent public functions in a foreign country;
 - (b) immediate family members of such a person; or
 - (c) close associates of such a person.

“prominent public functions” includes the roles held by a head of state, a head of government, government ministers, senior civil servants, senior judicial or military officials, senior executives of state owned corporations, and senior political party officials.

- 6.2. A licensee shall, in addition to performing the CDD measures specified in paragraph 4, perform enhanced CDD measures in relation to politically exposed persons, including but not limited to the following:
- (a) implement appropriate internal policies, procedures and controls to determine if a customer or beneficial owner is a politically exposed person;
 - (b) obtain approval from the licensee's senior management to the relevant business transaction, where the customer or a beneficial owner is a politically exposed person or subsequently becomes a politically exposed person; and
 - (c) establish, by appropriate and reasonable means, the source of wealth and source of funds of any customer or beneficial owner.

Other High Risk Categories

- 6.3. A licensee shall perform the enhanced CDD measures in paragraph 6.2 for such other categories of customers or relevant business transactions as the licensee may consider to present a higher risk for money laundering and terrorist financing.
- 6.4. A licensee shall give particular attention to relevant business transactions with any person from or in countries and jurisdictions known to have inadequate AML/CFT measures, as determined by the licensee for itself or notified to licensees generally by the Authority or other foreign regulatory authorities.

7 WIRE TRANSFERS

- 7.1 Paragraph 7 shall apply to a licensee who carries out inward remittance or remittance transactions when it effects the sending of funds by wire transfer or when it receives funds by wire transfer on the account of a person but shall not apply to a transfer and settlement between the licensee and another financial institution where the licensee and the other financial institution are acting on their own behalf as the wire transfer originator and the beneficiary institution.

- 7.2 For the purposes of paragraph 7—

“beneficiary institution” means the financial institution that receives the funds on the account of the wire transfer beneficiary;

“cross-border wire transfer” means a wire transfer where the ordering institution and the beneficiary institution are in different countries or jurisdictions;

“intermediary institution” means the financial institution that is an intermediary in the wire transfer payment chain;

“ordering institution” means the financial institution that acts on the instructions of the wire transfer originator in sending the funds;

“wire transfer beneficiary” means the person to whom or for whose benefit the funds are sent; and

“wire transfer originator” means the person who initiates the sending of funds.

Responsibility of the Ordering Institution

(I) Identification and Recording of Information

7.3 Before effecting a wire transfer, every licensee that is an ordering institution shall —

- (a) identify the wire transfer originator and verify his identity (if the licensee has not already done so by virtue of paragraph 4); and
- (b) record adequate details of the wire transfer so as to permit its reconstruction, including at least the date of the wire transfer, the type and amount of currency involved, the value date, and the details of the wire transfer beneficiary and the beneficiary institution.

(II) Cross-border Wire Transfers Exceeding S\$2,000

7.4 In the case of a cross-border wire transfer where the amount to be transferred exceeds S\$2,000, every licensee which is an ordering institution shall include in the message or payment instruction that accompanies or relates to the wire transfer the following :

- (a) the name of the wire transfer originator;
- (b) the wire transfer originator’s account number (or unique reference number assigned by the ordering institution where no account number exists); and
- (c) the wire transfer originator’s address, unique identification number, or date and place of birth.

(III) Domestic Wire Transfers

- 7.5 In a domestic wire transfer, every licensee that is an ordering institution shall either —
- (a) include in the message or payment instruction that accompanies or relates to the wire transfer all of the originator information required to be included as if the transaction had been a cross-border wire transfer exceeding S\$2,000; or
 - (b) include only the originator's account number (or unique reference number where no account number exists) but be in a position to make the remaining originator information available within 3 working days of a request being made by the beneficiary institution.

Responsibility of the Beneficiary Institution

- 7.6 A licensee that is a beneficiary institution shall implement appropriate internal risk-based policies, procedures and controls for identifying and handling in-coming wire transfers that are not accompanied by complete originator information.

Responsibility of Intermediary Institution

- 7.7 A licensee that is an intermediary institution shall, in passing onward the message or payment instruction, maintain all the required originator information with the wire transfer.

8 RECORD KEEPING

- 8.1 A licensee shall prepare, maintain and retain documentation on all its relevant business transactions with its customers such that—
- (a) all requirements imposed by law (including this Notice) are met;
 - (b) any relevant business transaction undertaken by the licensee can be reconstructed so as to provide, if necessary, evidence for prosecution of criminal activity;
 - (c) the relevant competent authorities in Singapore and the internal and external auditors of the licensee are able to review the licensee's relevant business transactions and assess the level of compliance with this Notice; and

- (d) the licensee can satisfy, within a reasonable time or any more specific time period imposed by law, any enquiry or order from the relevant competent authorities in Singapore for information.
- 8.2 Subject to paragraph 8.4 and any other requirements imposed by law, a licensee shall keep for a period of at least 5 years following the completion of the relevant business transaction, all records as required under section 16 of the Money-Changing and Remittance Businesses Act (Cap. 187), receipts and instructions to banks or agents, business correspondence and any information needed to explain and reconstruct the relevant business transactions.
- 8.3 A licensee may retain documents as originals or copies, in paper or electronic form or on microfilm, provided that they are admissible as evidence in a Singapore court of law.
- 8.4 A licensee shall retain records pertaining to a matter which is under investigation or which has been the subject of an STR for such longer period as may be necessary in accordance with any request or order from STRO or from other relevant competent authorities.

9 SUSPICIOUS TRANSACTIONS REPORTING

- 9.1 Every licensee shall keep in mind the provisions in the Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act¹ and in the Terrorism (Suppression of Financing) Act (Cap. 325) that provide for the reporting to the competent authorities of transactions suspected of being connected with money laundering or terrorist financing, and implement appropriate internal policies, procedures and controls for meeting its obligations under the law, including the following:
 - (a) establish a single reference point within the organisation to whom all staff are instructed to promptly refer all transactions suspected of being connected with money-laundering or terrorist financing, for possible referral to STRO via STRs; and
 - (b) keep records of all transactions referred to STRO, together with all internal findings and analysis done in relation to them.
- 9.2 A licensee shall submit reports on suspicious transactions (including attempted transactions) to STRO, and extend a copy to the Authority for information.
- 9.3 A licensee shall consider if the circumstances are suspicious so as to warrant the filing of an STR and document the basis for its determination where —

¹ Please note in particular section 48 of the Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act on tipping-off.

- (a) the licensee is for any reason unable to complete CDD measures; or
- (b) the customer is reluctant, unable or unwilling to provide any information requested by the licensee, decides to withdraw a relevant business transaction that is pending.

10 INTERNAL POLICIES, COMPLIANCE, AUDIT AND TRAINING

- 10.1 A licensee shall develop and implement internal policies, procedures and controls to help prevent money laundering and terrorist financing and communicate these to its employees.
- 10.2 The procedures, policies and controls shall include, amongst other things, CDD measures, record retention, the detection of unusual and/or suspicious transactions and the obligation to make suspicious transaction reports.
- 10.3 A licensee shall take into consideration money laundering and terrorist financing threats that may arise from the use of new or developing technologies, especially those that favour anonymity, in formulating its policies, procedures and controls.

Group Policy

- 10.4 A licensee that is incorporated in Singapore shall develop a group policy on AML/CFT and extend this to its branches and subsidiaries outside Singapore.
- 10.5 Where a licensee has a branch or subsidiary in a host country or jurisdiction known to have inadequate AML/CFT measures (as determined by the licensee for itself or notified to licensees generally by the Authority or by other foreign regulatory authorities), the licensee shall ensure that its group policy on AML/CFT is strictly observed by the management of that branch or subsidiary.
- 10.6 Where the AML/CFT requirements in the host country or jurisdiction differ from those in Singapore, the licensee shall require that the overseas branch or subsidiary apply the higher of the two standards, to the extent that the law of the host country or jurisdiction so permits.
- 10.7 Where the law of the host country or jurisdiction conflicts with Singapore law such that the overseas branch or subsidiary is thereby unable to fully observe the higher standard, the licensee's head office shall report this to the Authority and comply with such further directions as may be given by the Authority.

Compliance

- 10.8 A licensee shall develop appropriate compliance management arrangements, including at least, the appointment of a management level officer as the AML/CFT compliance officer.
- 10.9 A licensee shall ensure that the AML/CFT compliance officer, as well as any other persons appointed to assist him, has timely access to all customer records and other relevant information which they require to discharge their functions.
- 10.10 If the licensee's resources do not make it practicable to appoint an AML/CFT compliance officer, the responsibilities of the AML/CFT compliance officer outlined in this Notice shall be directly assumed by the licensee's senior management.

Audit

- 10.11 A licensee shall maintain an audit function that is adequately resourced and independent, and which will be able to regularly assess the effectiveness of the licensee's internal policies, procedures and controls, and its compliance with regulatory requirements.

Employee Hiring

- 10.12 A licensee shall have in place screening procedures to ensure high standards when hiring employees.

Training

- 10.13 A licensee shall take all appropriate steps to ensure that its staff (whether in Singapore or overseas) are regularly trained on—
- (a) AML/CFT laws and regulations, and in particular, CDD measures, detecting and reporting of suspicious transactions;
 - (b) prevailing techniques, methods and trends in money laundering and terrorist financing; and
 - (c) the licensee's internal policies, procedures and controls on AML/CFT and the roles and responsibilities of staff in combating money laundering and terrorist financing.