

MAS 314

2 July 2007

NOTICE TO LIFE INSURERS
MONETARY AUTHORITY OF SINGAPORE ACT, CAP. 186

**PREVENTION OF MONEY LAUNDERING AND COUNTERING THE FINANCING OF
TERRORISM – LIFE INSURERS**

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 life insurers registered under section 8 of the Insurance Act (Cap. 142).

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 life insurer, means the natural person who ultimately owns or controls a customer or the person on whose behalf a transaction is being conducted and includes the person who exercises ultimate effective control over a body corporate or unincorporate;

“business relations” means the issuance of a life policy by the life insurer to the customer;

“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 life insurer, means:

- (a) a person to whom a life policy is issued or intended to be issued by the life insurer including, in the case of a group life policy, the owner of the master policy issued or intended to be issued; or
- (b) a person for whom the life insurer undertakes or intends to undertake any transaction without a policy being issued;

“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;

“life insurer” means an insurer registered under section 8 of the Insurance Act (Cap. 142) to carry on life insurance business in 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 life insurer 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 life insurers in the conduct of their operations and business activities:

- (a) A life insurer must exercise due diligence when dealing with customers, persons appointed to act on the customer's behalf and beneficial owners.
- (b) A life insurer must conduct its business in conformity with high ethical standards, and guard against undertaking any transaction that is or may be connected with or may facilitate money laundering or terrorist financing.
- (c) A life insurer 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

Anonymous or Fictitious Person

- 4.1 No life insurer shall deal with any person on an anonymous basis or any person using a fictitious name.

When CDD Measures are to be Performed

- 4.2 A life insurer shall perform CDD measures in accordance with this Notice when —
- (a) the life insurer establishes business relations with any customer;
 - (b) the life insurer undertakes any transaction of a value exceeding S\$20,000 for any customer who has not otherwise established business relations with the life insurer;
 - (c) there is a suspicion of money laundering or terrorist financing, notwithstanding that the life insurer would otherwise not be required by this Notice to perform CDD measures; or
 - (d) the life insurer has doubts about the veracity or adequacy of any information previously obtained.

CDD Measures where Business Relations are Established

(I) Identification of Customers

4.3 A life insurer shall identify each customer who applies to the life insurer to establish business relations.

4.4 For the purpose of paragraph 4.3, a life insurer 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 life insurer 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 life insurer shall, apart from identifying the customer, also identify the partners.

4.7 Where the customer is any other body corporate or unincorporate, the life insurer shall, apart from identifying the customer, also identify the persons having executive authority in that body corporate or unincorporate.

(II) Verification of Identity

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

- 4.9 A life insurer 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 in establishing business relations with the life insurer or the customer is not a natural person, a life insurer shall —
- (a) identify the natural persons that act or are appointed to act on behalf of the customer, as if such persons were themselves customers;
 - (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 life insurer shall verify the due authority of such persons to act on behalf of the customer.
- 4.12 A life insurer 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 life insurer 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 life insurer 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 life insurer shall take reasonable measures to obtain information sufficient to identify and verify the identities of the beneficial owner.
- 4.16 Where the customer is not a natural person, the life insurer shall take reasonable measures to understand the ownership and structure of the customer.
- 4.17 A life insurer 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 that are subject to and supervised for compliance with AML/CFT requirements consistent with standards set by the FATF,

unless the life insurer suspects that the 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 life insurer shall

document the basis for its determination that the requirements in those paragraphs have been duly met.

(V) Identification and Verification of Payee

4.19 Where the payee is not the customer, a life insurer shall identify the payee and verify his identity before making any of the following types of payment:

- (a) payment of the sum assured (or part thereof) upon the occurrence of the risk insured against in accordance with the life policy;
- (b) payment of the surrender value of a life policy;
- (c) refund of premium upon the avoidance, cancellation and/or termination of any life policy; or
- (d) refund of any other payment made in relation to any life policy.

(VI) Information on the Purpose and Intended Nature of Business Relations

4.20 A life insurer shall obtain, from the customer, when processing the application to establish business relations, information as to the purpose and intended nature of business relations.

(VII) Ongoing Monitoring

4.21 A life insurer shall monitor on an ongoing basis, its business relations with customers.

4.22 A life insurer shall, during the course of business relations, observe the conduct of the customer's life policy and scrutinise transactions undertaken to ensure that the transactions are consistent with the life insurer's knowledge of the customer, its business and risk profile and where appropriate, the source of funds.

4.23 A life insurer shall pay special attention to all complex or unusually large transactions or unusual patterns of transactions that have no apparent or visible economic or lawful purpose.

4.24 A life insurer shall, to the extent possible, inquire into the background and

purpose of the transactions in paragraph 4.23 and document its findings with a view to making this information available to the relevant competent authorities should the need arise.

- 4.25 A life insurer shall periodically review the adequacy of customer identification information obtained in respect of customers and beneficial owners and ensure that the information is kept up to date, particularly for higher risk categories of customers.

Non-Face-to-Face Verification

- 4.26 A life insurer shall put in place policies and procedures to address any specific risks associated with non-face-to-face business relationships or transactions.
- 4.27 A life insurer shall implement the policies and procedures referred to in paragraph 4.26 when establishing customer relationships and when conducting ongoing due diligence.
- 4.28 Where there is no face-to-face contact, the life insurer shall carry out CDD measures that are as stringent as those that would be required to be performed if there were face-to-face contact.

Reliance on Identification and Verification Already Performed

- 4.29 When a life insurer (“acquiring life insurer”) acquires, either in whole or in part, the business of another financial institution (whether in Singapore or elsewhere), the acquiring life insurer shall perform CDD measures on the customers acquired with the business at the time of acquisition except where the acquiring life insurer has —
- (a) acquired at the same time all corresponding customer records (including customer identification information) and has no doubt or concerns about the veracity or adequacy of the information so acquired; and
 - (b) conducted due diligence enquiries that have not raised any doubt on the part of the acquiring life insurer as to the adequacy of AML/CFT measures previously adopted in relation to the business or part thereof now acquired by the acquiring life insurer.

CDD Measures for Non-Policy Holders

- 4.30 A life insurer that undertakes any transaction of a value exceeding S\$20,000 for any customer who does not otherwise have business relations with the life insurer shall —
- (a) establish and verify the identity of the customer as if the customer had applied to the life insurer to establish business relations; and
 - (b) record adequate details of the transaction so as to permit the reconstruction of the transaction, including the nature and date of the transaction, the type and amount of currency involved, the value date, and the details of the payee.
- 4.31 Where a life insurer suspects that two or more transactions are or may be related, linked or the result of a deliberate restructuring of an otherwise single transaction into smaller transactions in order to evade the measures provided for in this Notice, the life insurer shall treat the transactions as a single transaction and aggregate their values for the purpose of this Notice.

Timing for Verification

- 4.32 Subject to paragraph 4.33 of this Notice, a life insurer shall complete verification of the identity of the customer and beneficial owner —
- (a) before the life insurer establishes business relations; or
 - (b) before the life insurer undertakes any transaction for a customer, where the customer does not have business relations with the life insurer.
- 4.33 A life insurer may establish business relations with a customer before completing the verification of the identity of the customer and beneficial owner if —
- (a) the deferral of completion of the verification of the identity of the customer and beneficial owner is essential in order not to interrupt the normal conduct of business operations; and
 - (b) the risks of money laundering and terrorist financing can be effectively managed by the life insurer.

- 4.34 Where the life insurer establishes business relations before verification of the identity of the customer or beneficial owner, the life insurer shall complete such verification as soon as is reasonably practicable.

Where CDD Measures are not Completed

- 4.35 Where the life insurer is unable to complete CDD measures, it shall terminate the business relationship and consider if the circumstances are suspicious so as to warrant the filing of an STR.

Existing Customers

- 4.36 A life insurer 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 Subject to paragraph 5.2, a life insurer may perform such simplified CDD measures as it considers adequate to effectively identify and verify the identity of the customer, a natural person appointed to act on the customer's behalf and any beneficial owner if it is satisfied that the risks of money laundering and terrorist financing are low.
- 5.2 No life insurer shall perform simplified CDD measures in relation to customers that are from or in countries and jurisdictions known to have inadequate AML/CFT measures, as determined by the life insurer for itself or notified to life insurers generally by the Authority or by other foreign regulatory authorities.
- 5.3 A life insurer may perform simplified CDD measures in relation to a customer that is 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).
- 5.4 Where the life insurer performs simplified CDD measures in relation to a customer, it shall document —
- (a) the details of its risk assessment; and

- (b) the nature of the simplified CDD measures.

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 life insurer shall, in addition to performing 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 life insurer’s senior management to establish or continue business relations where the customer or beneficial owner is a politically exposed person or subsequently becomes a politically exposed person;
- (c) establish, by appropriate and reasonable means, the source of wealth and source of funds of the customer or beneficial owner; and
- (d) conduct, during the course of business relations, enhanced monitoring of

business relations with the customer.

Other High Risk Categories

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

7 PERFORMANCE OF CDD MEASURES BY INTERMEDIARIES

- 7.1 Subject to paragraph 7.2 a life insurer may rely on an intermediary to perform the CDD measures in paragraph 4 of this Notice if the following requirements are met:
- (a) the life insurer is satisfied that the intermediary it intends to rely upon is subject to and supervised for compliance with AML/CFT requirements consistent with standards set by the FATF, and has adequate measures in place to comply with those requirements;
 - (b) the intermediary is not one on which life insurers have been specifically precluded by the Authority from relying;
 - (c) the information that the life insurer would be required or would want to obtain which is being obtained by the intermediary may be relayed to the life insurer by the intermediary without any delay; and
 - (d) the intermediary is able and willing to provide, without delay, upon the life insurer's request, any document obtained by the intermediary which the life insurer would be required or would want to obtain.
- 7.2 No life insurer shall rely on an intermediary to conduct ongoing monitoring of customers.
- 7.3 Where a life insurer relies on an intermediary to perform the CDD measures, it

shall document the basis for its satisfaction that the requirements in paragraph 7.1(a) have been met except where the intermediary is a financial institution supervised by the Authority (other than a holder of a money changer's licence or a holder of a remittance licence).

- 7.4 For the avoidance of doubt, notwithstanding the reliance upon an intermediary, the life insurer shall remain responsible for its AML/CFT obligations in this Notice.

8 RECORD KEEPING

- 8.1 A life insurer shall prepare, maintain and retain documentation on all its business relations and transactions with its customers such that —

- (a) all requirements imposed by law (including this Notice) are met;
- (b) any transaction undertaken by the life insurer 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 life insurer are able to review the life insurer's transactions and assess the level of compliance with this Notice; and
- (d) the life insurer 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 life insurer shall, when setting its record retention policies, comply with the following document retention periods:

- (a) a period of at least 5 years following the termination of business relations for customer identification information, and other documents relating to the establishment of business relations, as well as policy files and business correspondence; and
- (b) a period of at least 5 years following the completion of the transaction for records relating to a transaction, including any information needed to explain and reconstruct the transaction.

- 8.3 A life insurer 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 life insurer 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 A life insurer 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 and agents 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 life insurer shall submit reports on suspicious transactions (including attempted transactions) to STRO, and extend a copy to the Authority for information.
- 9.3 A life insurer shall consider if the circumstances are suspicious so as to warrant the filing of an STR and document the basis for its determination where —
- (a) the life insurer is for any reason unable to complete CDD measures; or
 - (b) the customer is reluctant, unable or unwilling to provide any information

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

requested by the life insurer, decides to withdraw a pending application to establish business relations or a pending transaction, or to terminate existing business relations.

10 INTERNAL POLICIES, COMPLIANCE, AUDIT AND TRAINING

- 10.1 A life insurer shall develop and implement internal policies, procedures and controls to help prevent money laundering and terrorist financing and communicate these to its employees and agents.
- 10.2 The policies, procedures 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 life insurer 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 life insurer that is incorporated in Singapore shall develop a group policy on AML/CFT and extend this to all of its branches and subsidiaries outside Singapore.
- 10.5 Where a life insurer has a branch or subsidiary in a host country or jurisdiction known to have inadequate AML/CFT measures (as determined by the life insurer for itself or notified to life insurers generally by the Authority or by other foreign regulatory authorities), the life insurer 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 life insurer 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 unable to fully observe the higher standard, the life insurer'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 life insurer 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 life insurer 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.

Audit

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

Employee and Agent Hiring

- 10.11 A life insurer shall have in place screening procedures to ensure high standards when hiring employees and agents.

Training

- 10.12 A life insurer shall take all appropriate steps to ensure that its staff and agents (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 life insurer's internal policies, procedures and controls on AML/CFT and the roles and responsibilities of staff and agents in combating money laundering and terrorist financing.