

MAS

Notice No : FAA-N06

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(Refer to endnotes for history of amendments)

NOTICE TO FINANCIAL ADVISERS

MONETARY AUTHORITY OF SINGAPORE ACT, CAP. 186

PREVENTION OF MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM – FINANCIAL ADVISERS

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 the following:

- (a) licensed financial advisers;
- (b) insurance brokers registered under the Insurance Act (Cap. 142) which, by virtue of such registration, are exempt, under section 23(1)(c) of the Financial Advisers Act (Cap. 110) (FAA), from holding a financial adviser's licence to act as a financial adviser in Singapore in respect of any financial advisory service; and
- (c) persons exempt, under section 23(1)(f) of the FAA read with regulation 27(1)(d) of the Financial Advisers Regulations (FAR) (Rg 2), from holding a financial adviser's licence to act as a financial adviser in Singapore in respect of any financial advisory service, except those which only provide advice by issuing or promulgating research analyses or research reports, whether in electronic, print or other form, concerning any investment product.

[FAA-N06 (Amendment) 2009]

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 financial adviser, 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 body corporate or unincorporate;

“business relations” means the opening or maintenance of an account by the financial adviser in the name of a person and the undertaking of transactions by the financial adviser for that person on that account;

“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 financial adviser, means a person in whose name an account is opened or intended to be opened and includes, in the case where the financial adviser arranges a group life insurance policy, the owner of the master policy;

“FATF” means the Financial Action Task Force;

“financial adviser” means:

- (a) licensed financial advisers;
- (b) insurance brokers registered under the Insurance Act (Cap. 142) which, by virtue of such registration, are exempt, under section 23(1)(c) of the Financial Advisers Act (Cap. 110) (FAA), from holding a financial adviser’s licence to act as a financial adviser in Singapore in respect of any financial advisory service; and
- (c) persons exempt, under section 23(1)(f) of the FAA read with regulation 27(1)(d) of the Financial Advisers Regulations (FAR) (Rg 2), from holding

a financial adviser's licence to act as a financial adviser in Singapore in respect of any financial advisory service, except those which only provide advice by issuing or promulgating research analyses or research reports, whether in electronic, print or other form, concerning any investment product.

[FAA-N06 (Amendment) 2009]

"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;

"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 the completion of CDD measures is a reference to the situation when the financial adviser has received satisfactory responses to all inquiries.
- 2.3 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 financial advisers in the conduct of their operations and business activities:
- (a) A financial adviser must exercise due diligence when dealing with customers, persons appointed to act on the customer's behalf and beneficial owners.
 - (b) A financial adviser 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 financial adviser 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 Account

4.1 No financial adviser shall open or maintain anonymous accounts or accounts in fictitious names.

When CDD Measures are to be Performed

4.2 A financial adviser shall perform CDD measures in accordance with this Notice when —

- (a) the financial adviser establishes business relations with any customer;
- (b) there is a suspicion of money laundering or terrorist financing, notwithstanding that the financial adviser would otherwise not be required by this Notice to perform CDD measures; or
- (c) the financial adviser has doubts about the veracity or adequacy of any information previously obtained.

CDD Measures where Business Relations are Established

(l) Identification of Customers

4.3 A financial adviser shall identify each customer who applies to the financial adviser to establish business relations.

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

4.7 Where the customer is any other body corporate or unincorporate, the financial adviser 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 financial adviser shall verify the identity of the customer using reliable, independent sources.

4.9 A financial adviser 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 financial adviser or the customer is not a natural person, a financial adviser 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 financial adviser shall verify the due authority of such persons to act on behalf of the customer.

4.12 A financial adviser 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 financial adviser 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 financial adviser 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 financial adviser 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 financial adviser shall take reasonable measures to understand the ownership and control structure of the customer.

4.17 A financial adviser 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 financial adviser 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 financial adviser shall document the basis for its determination that the requirements in those paragraphs have been duly met.

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

4.19 A financial adviser shall obtain, from the customer, when processing the application to establish business relations, information as to the purpose and intended nature of business relations.

(VI) Ongoing Monitoring

4.20 A financial adviser shall monitor on an ongoing basis, its business relations with customers.

- 4.21 A financial adviser shall, during the course of business relations, observe the conduct of the customer's account and scrutinise transactions undertaken to ensure that the transactions are consistent with the financial adviser's knowledge of the customer, its business and risk profile and where appropriate, the source of funds.
- 4.22 A financial adviser 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.
- 4.23 A financial adviser shall, to the extent possible, inquire into the background and purpose of the transactions in paragraph 4.22 and document its findings with a view to making this information available to the relevant competent authorities should the need arise.
- 4.24 A financial adviser 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

- 4.25 A financial adviser shall put in place policies and procedures to address any specific risks associated with non-face-to-face business relationships or transactions.
- 4.26 A financial adviser shall implement the policies and procedures referred to in paragraph 4.25 when establishing customer relationships and when conducting ongoing due diligence.
- 4.27 Where there is no face-to-face contact, the financial adviser 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

- 4.28 When a financial adviser ("acquiring financial adviser") acquires, either in whole or in part, the business of another financial institution (whether in Singapore or elsewhere), the acquiring financial adviser shall perform CDD measures on the

customers acquired with the business at the time of acquisition except where the acquiring financial adviser 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 financial adviser as to the adequacy of AML/CFT measures previously adopted in relation to the business or part thereof now acquired by the acquiring financial adviser.

Timing for Verification

4.29 Subject to paragraph 4.30 of this Notice, a financial adviser shall complete verification of the identity of the customer and beneficial owner before the financial adviser establishes business relations with a customer.

4.30 A financial adviser 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 financial adviser.

4.31 Where the financial adviser establishes business relations before verification of the identity of the customer or beneficial owner, the financial adviser shall complete such verification as soon as is reasonably practicable.

Where CDD Measures are Not Completed

4.32 Where the financial adviser 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.

Joint Account

- 4.33 In the case of a joint account, a financial adviser shall perform CDD measures on all of the joint account holders as if each of them were individually customers of the financial adviser.

Existing Customers

- 4.34 A financial adviser 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 financial adviser 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 financial adviser shall perform simplified CDD measures in the following circumstances:

(a) where the customers are from or in countries and jurisdictions known to have inadequate AML/CFT measures, as determined by the financial adviser for itself or notified to financial advisers generally by the Authority or by other foreign regulatory authorities; or

[FAA-N06 (Amendment) 2009]

(b) where the financial adviser suspects that money laundering or terrorist financing is involved.

[FAA-N06 (Amendment) 2009]

- 5.3 A financial adviser 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 financial adviser 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 whether in Singapore or a foreign country;
[FAA-N06 (Amendment) 2009]
- (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 financial adviser 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 financial adviser’s senior management to establish or continue business relations where the customer or a 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 financial adviser shall perform enhanced CDD measures in paragraph 6.2 for such other categories of customers, business relations or transactions as the financial adviser may assess to present a higher risk for money laundering and terrorist financing.
- 6.4 A financial adviser 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 financial adviser for itself or notified to financial advisers generally by the Authority or other foreign regulatory authorities.

7 PERFORMANCE OF CDD MEASURES BY INTERMEDIARIES

- 7.1 Subject to paragraph 7.2, a financial adviser may rely on an intermediary to perform the CDD measures in paragraph 4 of this Notice if the following requirements are met:
 - (a) the financial adviser 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 financial advisers have been specifically precluded by the Authority from relying; and
 - (c) the intermediary is able and willing to provide, without delay, upon the financial adviser's request, any document obtained by the intermediary which the financial adviser would be required or would want to obtain.

[FAA-N06 (Amendment) 2009]

7.2 No financial adviser shall rely on an intermediary to conduct ongoing monitoring of customers.

7.3 Where a financial adviser relies on an intermediary to perform the CDD measures, it shall:

(a) 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); and

[FAA-N06 (Amendment) 2009]

(b) immediately obtain from the intermediary the CDD information which the intermediary had obtained.

[FAA-N06 (Amendment) 2009]

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

8 RECORD KEEPING

8.1 A financial adviser 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 financial adviser 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 financial adviser are able to assess the financial adviser's transactions and level of compliance with this Notice; and

(d) the financial adviser 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 financial adviser 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 relation for customer identification information, and other documents relating to the establishment of business relations, as well as account 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 financial adviser 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 financial adviser 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 financial adviser 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

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

- (b) keep records of all transactions referred to STRO, together with all internal findings and analysis done in relation to them.
- 9.2 A financial adviser shall submit reports on suspicious transactions (including attempted transactions) to STRO, and extend a copy to the Authority for information.
- 9.3 A financial adviser 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 financial adviser 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 financial adviser, 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 financial adviser 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 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 financial adviser 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 financial adviser 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 financial adviser has a branch or subsidiary in a host country or jurisdiction known to have inadequate AML/CFT measures (as determined by the financial adviser for itself or notified to financial advisers generally by the Authority or by other foreign regulatory authorities), the financial adviser 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 financial adviser 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 financial adviser'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 financial adviser 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 financial adviser 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 financial adviser shall maintain an audit function that is adequately resourced and independent, and which will be able to regularly assess the effectiveness of the financial adviser's internal policies, procedures and controls, and its compliance with regulatory requirements.

Employee Hiring

- 10.11 A financial adviser shall have in place screening procedures to ensure high

standards when hiring employees.

Training

10.12 A financial adviser 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 financial adviser's internal policies, procedures and controls on AML/CFT and the roles and responsibilities of staff in combating money laundering and terrorist financing.

Endnotes on History of Amendments

1. FAA-N06 (Amendment) 2009 dated 3 July 2009