MAS Notice PSOA-N02

5 November 2007
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(Refer to endnotes for history of amendments)

NOTICE TO HOLDERS OF STORED VALUE FACILITIES
MONETARY AUTHORITY OF SINGAPORE ACT, CAP. 186

PREVENTION OF MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM - HOLDERS OF STORED VALUE FACILITIES

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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 relevant stored value facilities.

1.2 The Notice shall take effect on 12 November 2007.

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 user of a stored value facility, means the natural person who ultimately owns or controls the user or the person on whose

behalf a relevant 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;

"FATF" means the intergovernmental body known as the Financial Action Task Force created in 1989;

"FATF Recommendations" means the Forty Recommendations adopted by the FATF on Money Laundering at its plenary meeting on 20 June 2003, the Special Recommendations on Terrorist Financing adopted by the FATF at its plenary meeting on 31 October 2001 and the Special Recommendation IX on Terrorist Financing adopted by the FATF at its plenary meeting on 20 to 22 October 2004, as well as any amendments to the said Recommendations;

"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, but does not include a company that is wholly owned or controlled by a government;

"holder" has the meaning as in section 2(1) of the Payment Systems (Oversight) Act (Cap. 222A);

"redemption", in relation to a relevant stored value facility, means using the stored value of the facility or any part of it to purchase goods or services;

"refund", in relation to a relevant stored value facility, means the conversion of unused stored value of the facility to a sum of money;

"relevant transaction", in relation to a relevant stored value facility, means—

(a) the purchase of the facility;

(b) payment of a sum of money to add to the stored value of the facility;

(c) a redemption; or

(d) a refund;

"relevant stored value facility" means, in relation to a holder, a stored value facility which is able to contain, and make available to the user, stored value of not less than S$1,000;

"stored value facility" has the meaning as in section 2(1) of the Payment Systems (Oversight) Act (Cap. 222A);

"STR" means suspicious transaction report;

"STRO" means the Suspicious Transactions Reporting Office, Commercial Affairs Department of the Singapore Police Force;

"due diligence measures" or "DD measures" means the duties imposed on the holder of a relevant stored value facility by paragraph 4 of this Notice; and

"user", in relation to a relevant stored value facility, means a person who purchases or acquires the facility.

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 performance of the DD measures is a reference to the situation when the holder has received satisfactory responses to all inquiries relating to those measures.

2.4 Unless the context otherwise requires, a reference to a financial institution licensed, approved, registered or regulated by the Authority under any law does not include a reference to any person who is exempted from being licensed, approved, registered or regulated by the Authority.

3 UNDERLYING PRINCIPLES

3.1 This Notice is based on the following principles, which shall serve as a guide for all holders of relevant stored value facilities in the conduct of their operations and business activities:

(a) The holder must exercise due diligence when dealing with users of that facility, beneficial owners of those users and other persons appointed to act on those users' behalf.

(b) The holder must conduct his business in conformity with high ethical standards, and guard against undertaking any transaction that is or may be connected with, or which may facilitate money laundering or terrorism financing.

(c) The holder should, whenever and to the fullest extent possible, assist and cooperate with the relevant law enforcement authorities in Singapore in preventing money laundering and terrorism financing.

4 DUE DILIGENCE

When Due Diligence measures are to be Performed

4.1 The holder of a relevant stored value facility shall perform DD measures in accordance with this Notice when —

(a) a user purchases the facility or obtains a refund in relation to that facility;

(b) there is a suspicion of money laundering or terrorist financing, notwithstanding that the holder would otherwise not be required by this Notice to perform DD measures; or

(c) the holder has doubts about the veracity or adequacy of any information previously obtained.

Identification of Users

4.2 The holder of a relevant stored value facility shall establish the identity of a user who purchases the facility or obtains a refund in relation to that facility.

4.3 For the purposes of paragraph 4.2, the holder shall obtain and record at least the following information of the user:

(a) full name, including any alias;

(b) unique identification number (such as an identity card number, birth certificate number or passport number, or where the user is not a natural person, the incorporation number or business registration number);

(c) existing residential address, registered or business address (as the case may be) and contact telephone number;

(d) date of birth, incorporation or registration (as the case may be); and

(e) nationality or place of incorporation or registration (as the case may be).

4.4 Where the user is a company, the holder shall also establish the identities of all the directors of the company as if such directors were themselves users making the purchase or obtaining the refund.

4.5 Where the user is a partnership or a limited liability partnership, the holder shall also establish the identities of all the partners as if such partners were themselves users making the purchase or obtaining the refund.

4.6 Where the user is any other body corporate or unincorporate, the holder shall also establish the identities of the persons having executive authority in that body as if such persons were themselves users making the purchase or obtaining the refund.

Verification of Identities of Users

4.7 The holder of a relevant stored value facility shall verify the identity of a user who purchases the facility or obtains a refund in relation to that facility, using reliable and independent sources.

4.8 The holder shall retain copies of all reference documents used in establishing and verifying the identity of each user.

Identification and Verification of Identities of Agents of Users

4.9 Where a user (including one who is not a natural person) appoints a natural person to act on his behalf to purchase any relevant stored value facility or obtain a refund in relation to such facility, the holder of the facility shall —

(a) establish the identity of the person by obtaining at least the information of the person referred to in paragraph 4.3 (a) to (e);

(b) verify his identity using reliable and independent sources; and

(c) retain copies of all reference documents used to verify his identity.

4.10 The holder shall verify the authority of the person to act on behalf of the user.

4.11 Where the person asserts that he is acting on behalf of a government entity, the holder need only obtain such information as is sufficient to confirm that the user is the government entity so asserted.

Identification and Verification of Identities of Beneficial Owners

4.12 Subject to paragraph 4.15, the holder of a relevant stored value facility shall inquire of a user seeking to purchase the facility or obtain a refund in relation to the facility if there exists any beneficial owner in relation to the user.

4.13 When the holder becomes aware, whether pursuant to the inquiry or otherwise, that there is one or more beneficial owners in relation to the user, the holder shall take reasonable measures to obtain information sufficient to identify and verify the identity of each beneficial owner.

4.14 Where the user is not a natural person, the holder shall take reasonable measures to understand the ownership and control structure of the user.

4.15 The holder shall not be required to inquire if there exists any beneficial owner in relation to a user that is —

(a) a government entity;

(b) a public company listed on the Singapore Exchange;

(c) a public company listed on a stock exchange outside of Singapore that is subject to regulatory disclosure requirements;

(d) a financial institution licensed, approved, registered or regulated by the Authority (other than a holder of a money changer's licence or a holder of a remittance licence under the Money-Changing and Remittance Businesses Act (Cap. 187), unless specifically notified by the Authority);

(e) a financial institution incorporated or established in a country outside Singapore that is subject to, and supervised for compliance with, AML/CFT requirements consistent with the FATF Recommendations; or

(f) an investment vehicle the managers of which are financial institutions —

(i) licensed, approved, registered or regulated by the Authority (other than a holder of a money changer's licence or a holder of a remittance licence under the Money-Changing and Remittance Businesses Act (Cap. 187), unless specifically notified by the Authority); or

(ii) incorporated or established in a country outside Singapore but are subject to, and supervised for compliance with, AML/CFT requirements consistent with the FATF Recommendations,

unless the holder suspects that the transaction is connected with money laundering or terrorist financing.

4.16 For the purposes of paragraphs 4.15(e) and 4.15(f)(ii), the holder shall document the basis for its determination that the requirements in those paragraphs have been duly met.

Review of Relevant Transactions

4.17 When the holder of a relevant stored value facility deals with any request for a relevant transaction, the holder shall review the earlier relevant transactions (if any) undertaken by the user concerned to ensure that the current transaction is consistent with his knowledge of the user.

4.18 The holder shall pay special attention to all complex or unusually large relevant transactions or unusual patterns of relevant transactions in respect of that facility, that have no apparent economic or lawful purpose.

4.19 The holder shall, to the extent possible, inquire into the background and purpose of the relevant business transactions referred to in paragraph 4.18 and document its findings with a view to making this information available to the relevant competent authorities in Singapore, including the Authority, should the need arise.

Non-Face-to-Face Verification

4.20 The holder of a relevant stored value facility shall put in place policies and procedures to address any specific risks associated with non-face-to-face relevant transactions.

4.21 The holder shall implement the policies and procedures referred to in paragraph 4.20 when a user purchases the facility or obtains a refund in relation to that facility and when conducting a review of relevant transactions under paragraphs 4.17 to 4.19.

4.22 Where there is no face-to-face contact, the holder shall carry out DD measures that are as stringent as those that would be required to be performed if there were face-to-face contact.

Time for Performing Due Diligence Measures

4.23 Subject to paragraph 4.24, the holder of a relevant stored value facility shall complete performing all applicable DD measures before allowing any user to purchase the facility or obtain a refund in relation to the facility.

4.24 The holder may allow any user to purchase the facility before completing performance of DD measures if —

(a) the deferral of such completion is essential in order not to interrupt the normal conduct of business operations ; and

(b) the risks of money laundering and terrorism financing can be effectively managed by the holder.

4.25 Where the holder allows the user to purchase the facility before completion of performance of DD measures, the holder shall complete those measures as soon as is reasonably practicable.

Where Due Diligence Measures are Not Completed

4.26 Where the holder of a relevant stored value facility is unable to complete performing DD measures, he shall terminate the facility and consider if the circumstances are suspicious so as to warrant the filing of an STR in accordance with the Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act (Cap. 65A).

Existing Users

4.27 The holder of a relevant stored value facility shall perform such DD measures as may be appropriate to its existing users having regard to his own assessment of materiality and risk.

5 SIMPLIFIED DUE DILIGENCE

5.1 Subject to paragraph 5.2, the holder of a relevant stored value facility may perform such simplified DD measures as he considers adequate to effectively identify and verify the identity of the user, a natural person appointed to act on the user's behalf and any beneficial owner if he is satisfied that the risks of money laundering and terrorist financing are low.

5.2 The holder shall not perform simplified DD measures in the following circumstances:

(a) where the users are from or in countries and jurisdictions known to have inadequate laws for preventing money laundering or terrorism financing, as determined by the holder for himself or notified to holders generally by the Authority or by other foreign regulatory authorities; or

[MAS Notice PSOA-N02 (Amendment) 2009]

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

[MAS Notice PSOA-N02 (Amendment) 2009]

5.3 The holder may perform simplified DD measures for a user that is a financial institution licensed, approved, registered or regulated by the Authority (other than a holder of a money changer's licence or a holder of a remittance licence under the Money-Changing and Remittance Businesses Act (Cap. 187), unless specifically notified by the Authority).

5.4 Where the holder performs simplified DD measures in relation to a user, he shall document —

(a) the details of his risk assessment; and

(b) the nature of the simplified DD measures.

6 ENHANCED DUE DILIGENCE

Enhanced Due Diligence Measures for 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;

(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 officials, senior military officials, senior executives of state owned corporations, and important political party officials.

6.2 The holder of a relevant stored value facility shall, in addition to performing DD measures, perform enhanced DD measures in relation to politically exposed persons, including but not limited to the following:

(a) implementing appropriate internal policies, procedures and controls to determine if a user or beneficial owner of the person (if any) is a politically exposed person;

(b) obtaining approval from the holder's senior management to allow a user to purchase a relevant stored value facility or obtain a refund in relation to the facility where the user is a politically exposed person or subsequently becomes a politically exposed person; and

(c) establishing, by appropriate and reasonable means, the source of wealth and source of funds of the user and the beneficial owner of the user (if any).

Enhanced Due Diligence measures in other cases

6.3 The holder of a relevant stored value facility shall perform enhanced DD measures for such other user who seeks to purchase the facility or obtain a

refund in respect of the facility as the holder may assess to present a higher risk of money laundering and terrorism financing.

6.4 Without prejudice to the generality of paragraph 6.3, enhanced DD measures shall be performed for a user from, or in, countries and jurisdictions known to have inadequate laws for preventing money laundering or terrorism financing, as determined by the holder for himself or notified to holders generally by the Authority or other foreign regulatory authorities.

7 PERFORMANCE OF DUE DILIGENCE MEASURES AND ENHANCED DUE DILIGENCE MEASURES BY INTERMEDIARIES

7.1 Subject to paragraph 7.2, the holder of a relevant stored value facility may use another person (referred to in this paragraph as an intermediary) to perform DD measures if the following requirements are met:

(a) the holder is satisfied that the intermediary he 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 Authority has not informed the holder that he cannot rely on the intermediary or a description of intermediaries to which the intermediary belongs;

(c) the intermediary is able and willing to provide, without delay, to the holder upon his request any document obtained by the intermediary which the holder would be required to obtain under this Notice.

[MAS Notice PSOA-N02 (Amendment) 2009]

7.2 A holder shall not use an intermediary to conduct a review of relevant transactions under paragraphs 4.17 to 4.19.

7.3 Where a holder uses an intermediary to perform DD measures, he shall:

(a) document the basis for his satisfaction that the requirements in paragraph 7.1(a) have been met unless the intermediary is a financial institution licensed, approved, registered or regulated by the Authority (other than a holder of a money changer's licence or a holder of a remittance licence under the Money-Changing and Remittance Businesses Act (Cap. 187), unless specifically notified by the Authority); and

[MAS Notice PSOA-N02 (Amendment) 2009]

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

[MAS Notice PSOA-N02 (Amendment) 2009]

7.4 For the avoidance of doubt, the holder of a relevant stored value facility remains responsible for compliance with his obligations under paragraphs 4 to 6 notwithstanding his use of an intermediary under this paragraph.

8 RECORD KEEPING

8.1 The holder of a relevant stored value facility shall prepare, maintain and retain documentation on all relevant transactions relating to that facility such that —

(a) all requirements imposed by law (including this Notice) are met;

(b) each transaction can be reconstructed so as to provide, if necessary, evidence for prosecution of an offence;

(c) the relevant competent authorities, including the Authority, is able to review the transactions and assess the holder's level of compliance with this Notice; and

(d) the holder can satisfy, within the period imposed by law, any enquiry or order for information from the Authority or other relevant competent authorities in Singapore.

8.2 Subject to paragraph 8.4 and any other requirements imposed by any other law, the holder shall:

(a) retain for a period of at least 5 years following the termination of the facility, all information identifying the user (including information in respect of which the holder has not completed performing DD measures), as well as account documents and business correspondence, relating to the facility; and

(b) retain for a period of at least 5 years following the termination of the facility, records relating to any relevant transaction relating to that facility, including any information needed to explain and reconstruct the transaction.

8.3 The holder 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 The holder 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 For the purpose of complying with section 39(1) of the Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act and Part III of the Terrorism (Suppression of Financing) Act (Cap. 325), the holder of a

relevant stored value facility shall implement appropriate internal policies, procedures and controls including at least the following:

(a) establish a single reference point within the organisation to whom all employees of the holder are instructed to promptly refer all matters which they know or suspect may be required to be disclosed under those provisions for possible referral to the relevant competent authorities under those provisions; and

[MAS Notice PSOA-N02 (Amendment) 2013]

(b) keep records of all matters which have been referred to the relevant authorities under those provisions, together with all internal findings and analysis done in relation to them.

9.2 The holder shall submit reports on suspicious transactions, including attempted transactions, to STRO.

9.3 The holder shall consider if the circumstances are suspicious so as to warrant the filing of a STR in accordance with the Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act (Cap. 65A), and document the basis for its determination where —

(a) a holder is for any reason unable to complete DD measures; or

(b) a user is reluctant, unable or unwilling to provide any information requested by the holder, decides to withdraw a pending application to enter into a relevant transaction with the holder.

10 INTERNAL POLICIES, AUDIT AND TRAINING

10.1 The holder of a relevant stored value facility shall develop and implement internal policies, procedures and controls to help prevent money laundering and terrorism financing and communicate these to his employees.

10.2 The policies, procedures and controls shall include at least policies, procedures and controls for performing DD measures, and his obligations under paragraphs 8 and 9.

10.3 The holder shall take into consideration the risks of money laundering and terrorism financing that may arise as a result of the use of new or developing technologies, especially those that favour anonymity, in formulating its policies, procedures and controls.

Group Policy

10.4 The holder of a relevant stored valued facility that is a company incorporated in Singapore shall develop a group-wide policy (where applicable) for preventing money laundering and terrorism financing and extend this to all of its branches and subsidiaries outside Singapore.

10.5 Where the holder has a branch or subsidiary in a country or jurisdiction known to have inadequate laws for preventing money laundering or terrorism financing (as determined by the holder for himself or notified to holders generally by the Authority or by other foreign regulatory authorities), the holder shall ensure that the group policy developed under paragraph 10.4 is strictly observed by the management of that branch or subsidiary.

10.6 Where any requirement of the law for preventing money laundering and terrorism financing of a country or jurisdiction in which the holder has a branch or subsidiary differ from that of the law of Singapore, the holder shall ensure that the management of the overseas branch or subsidiary complies with the stricter of the two, to the extent that the law of the host country or jurisdiction so permits.

10.7 If for any reason the management of the branch or subsidiary is unable to fully comply with the higher of the two requirements in paragraph 10.6, the holder shall report this to the Authority and comply with such further directions as may be given by the Authority.

Compliance management arrangements

10.8 The holder of a relevant stored value facility shall develop appropriate compliance management arrangements, including at least the appointment of an officer holding a managerial position as an officer responsible for ensuring compliance with this Notice.

10.9 The holder shall ensure that the officer, as well as any other persons appointed to assist him, has timely access to all user records and other relevant information which they may require to discharge their functions.

Audit

10.10 The holder of a relevant stored value facility shall maintain an audit function that is adequately resourced and independent, and which is able to regularly assess the effectiveness of the holder's internal policies, procedures and controls referred to in paragraphs 10.1 to 10.3, and its compliance with this Notice.

Employee Hiring

10.11 The holder of a relevant stored value facility shall have in place screening procedures to ensure high standards when hiring employees.

Training

10.12 The holder of a relevant stored value facility shall take reasonable steps to ensure that his employees and officers[1] (whether in Singapore or overseas) are regularly and appropriately trained on —

(a) AML/CFT laws and regulations, and in particular, DD measures, detecting and reporting of suspicious transactions;

(b) prevailing techniques, methods and trends in money laundering and terrorist financing; and

(c) the holder's internal policies, procedures and controls on AML/CFT and the roles and responsibilities of employees and officers in combating money laundering and terrorist financing.

[MAS Notice PSOA-N02 (Amendment) 2013]

[1] "Officer" –

(a) in relation to a holder of a relevant stored value facility that is a body corporate (other than a limited liability partnership), means any director or any member of the committee of management of the body corporate;

(b) in relation to a holder of a relevant stored value facility that is a partnership (including a limited liability partnership), means any partner and manager (in the case of a limited liability partnership) ; and

(c) in relation to a holder of a relevant stored value facility that is a body unincorporate (other than a partnership), means any member of the committee of management of the body unincorporate,

where applicable.

11 PERSONAL DATA

11.1 For the purposes of paragraph 11 –

(a) "personal data" has the same meaning as defined in section 2(1) of the Personal Data Protection Act (Cap. 26);

(b) "individual" means a natural person, whether living or deceased; and

(c) "connected party" -

(i) in relation to a company, means any director or any natural person having executive authority in the company;

(ii) in relation to a partnership, a limited partnership within the meaning of the Limited Partnerships Act (Cap 163B) or a limited liability partnership within the meaning of the Limited Liability Partnerships Act (Cap. 163A), means any partner or manager; and

(iii) in relation to any other body corporate or unincorporate, means any natural person having executive authority in such body corporate or unincorporate, where applicable.

11.2 Subject to paragraph 11.3 and for the purposes of complying with this Notice, a holder of a relevant stored value facility shall not be required to provide an individual customer, an individual appointed to act on behalf of a customer, an individual connected party of a customer or an individual beneficial owner of a customer, with:

(a) any access to personal data about the individual that is in the possession or under the control of the holder;

(b) any information about the ways in which the personal data of the individual under subparagraph (a) has been or may have been used or disclosed by the holder; and

(c) any right to correct an error or omission of the personal data about the individual that is in the possession of or under the control of the holder.

11.3 A holder of a relevant stored value facility shall, as soon as reasonably practicable, upon the request of an individual customer, an individual appointed to act on behalf of a customer, an individual connected party of a customer or an individual beneficial owner of a customer, provide the requesting individual with the right to:

(a) access the following types of personal data of that individual, that is in the possession or under the control of the holder of a relevant stored value facility:

(i) his full name, including any alias;

(ii) his unique identification number (such as an identity card number, birth certificate number or passport number);

(iii) his existing residential address and contact telephone number(s);

(iv) his date of birth;

(v) his nationality;

(vi) subject to section 21(2) and (3) read with the Fifth Schedule to the Personal Data Protection Act, any other personal data of the respective individual provided by that individual to the holder; and

(b) subject to section 22(7)and the Sixth Schedule to the Personal Data Protection Act, correct an error or omission in relation to the types of personal data set out in paragraphs (a)(i) to (vi), provided the holder of a

relevant stored value facility is satisfied that there are reasonable grounds for such request.

11.4 For the purposes of complying with this Notice, a holder of a relevant stored value facility may, whether directly or through a third party, collect, use and disclose personal data of an individual customer, an individual appointed to act on behalf of a customer, an individual connected party of a customer or an individual beneficial owner of a customer, without the respective individual's consent.

[MAS Notice PSOA-N02 (Amendment) 2014]

Endnotes on History of Amendments

1. MAS Notice PSOA-N02 (Amendment) 2009 dated 3 July 2009.
2. MAS Notice PSOA-N02 (Amendment) 2013 dated 23 January 2013.
3. MAS Notice PSOA-N02 (Amendment) 2014 dated 1 July 2014.