

# ANNEX H: PROPOSED KEY AMENDMENTS TO MAS NOTICE FAA-N06

## 1 NEW REQUIREMENTS

### 1.1 Assessing Risks and Applying a Risk-Based Approach – Paragraphs 4.1 to 4.3

1.1.1 MAS adopts a risk-based approach (RBA) in its supervision of financial institutions. The use of an RBA in the implementation of AML/CFT controls allows for resources to be effectively allocated according to the level of risk. In this regard, MAS and other Singapore authorities undertook a money laundering and terrorism financing (ML/TF) risk assessment exercise at the national level which culminated with the publication on 10 January 2014 of the Singapore National Money Laundering and Terrorist Financing Risk Assessment Report 2013 ([NRA](#)<sup>1</sup>). The key purpose of publishing the NRA was to help private sector stakeholders, including financial institutions, better understand the ML/TF risks in their sector, as well as those that they deal with.

MAS Notice FAA-N06 will include new obligations for Financial Advisers (FAs) to identify and assess the overall ML/TF risks they face as an institution, and to take commensurate steps to mitigate these risks effectively. FAs should take into account the results of Singapore's NRA when making this assessment, and ensure that the resources and mitigating measures in place are commensurate with the ML/TF risks identified. Such risk assessments should be updated and reviewed on a regular basis.

## 2 CLARIFICATION OF EXISTING EXPECTATIONS

### 2.1 Relationship Management - Paragraph 2.1

2.1.1 MAS generally expects FAs to consider the substance of the relationship as a whole, as opposed to just account booking location, to determine an individual, trust or corporate as their customer. This takes into consideration the globalised nature of certain financial advisory firms, where an FA's relationship and transactions with a particular customer could be managed by FA representatives based in more than one country or that the customer's account may be booked in one country but managed by an FA's office in another country or jurisdiction.

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[http://www.mas.gov.sg/~media/resource/news\\_room/press\\_releases/2014/Singapore%20NRA%20Report.pdf](http://www.mas.gov.sg/~media/resource/news_room/press_releases/2014/Singapore%20NRA%20Report.pdf)

2.1.2 This approach will now be explicitly referred to in the revised MAS Notice FAA-N06 through the term - “relationship management”, which covers the managing or servicing by a representative of an FA of a customer account that is opened with the overseas subsidiary, branch, parent or related corporation of the FA.

## **2.2 New Products, Practices and Technologies – Paragraphs 5.1 to 5.3**

MAS Notice FAA-N06 will be revised to clarify risk assessment and mitigation requirements in relation to new products, practices and technologies.

## **2.3 Reasonable Grounds for Suspicion – Paragraphs 6.2, 6.30 and 6.31**

2.3.1 MAS had previously explained in its response to the feedback in its March 2013 Consultation Paper to Designate Tax Crimes as Money Laundering Predicate Offences in Singapore, its supervisory expectations with respect to deterring illicit monies arising from tax evasion, which is now part of the predicate offences pursuant to [Singapore’s AML regime](#)<sup>2</sup>.

2.3.2 MAS Notice FAA-N06 will be amended to clarify the following existing expectations:

- a. Prospective customers. FAs should not establish business relations or undertake a transaction for prospective customers if there are reasonable grounds to suspect that the assets or funds of the said customer are proceeds of a serious offence.
- b. Existing customers. Where there are reasonable grounds to suspect that an existing customer is connected with ML/TF activities, specific steps need to be taken by the FA, including consideration whether to continue the relationship. Should the FA decide to retain the customer, the FA should also take mitigating measures which are commensurate with its risk assessment.

## **2.4 Identification and Verification of Identity of Beneficial Owners - Paragraphs 6.19 to 6.20**

2.4.1 The revised MAS Notice FAA-N06 will provide further elaboration of the cascading measures FAs need to undertake when identifying and verifying the identity of beneficial owners of legal persons and legal arrangements.

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<sup>2</sup> <http://statutes.agc.gov.sg/aol/search/display/view.w3p?page=0;query=Compld%3Ae656bc3e-f045-429e-8eda-b16a8c26a419;rec=0;resUrl=http%3A%2F%2Fstatutes.agc.gov.sg%2Faol%2Fbrowse%2FtitleResults.w3p%3Bletter%3DC%3Btype%3DactsAll#legis>

2.4.2 For legal persons —

- a. FAs are to take reasonable measures to identify the natural persons who ultimately own the legal person.
- b. Where there is doubt as to whether the natural persons who ultimately own the legal person are the beneficial owners or where no natural persons ultimately own the legal person, FAs are to identify the natural persons who ultimately control the legal person.
- c. If no natural person has been identified after steps (a) and (b), FAs will need to identify the natural persons having executive authority in the legal person, or in equivalent or similar positions.

2.4.3 When dealing with legal arrangements, FAs will need to identify the trustee(s), settlor, protector (where applicable), beneficiaries, and any natural person exercising ultimate ownership or control over the trust, as well as take reasonable measures to verify their identities.

## **2.5 Customer Screening - Paragraphs 6.43 to 6.45**

2.5.1 MAS Notice FAA-N06 will be revised to clarify existing expectations for FAs to conduct customer and related parties screening. The scope of screening will include the customer, natural persons appointed to act on behalf of the customer, connected parties and beneficial owners of the customer.

2.5.2 A screening process is fundamental to managing ML/TF risks. FAs are expected to have adequate systems, procedures and processes to perform effective screening to identify any parties who are sanctioned or suspected to be involved in ML/TF activities. The screening process could also enable the FA to identify higher risk customer relationships. FAs need to perform screening on all their new and existing customers, as well as their beneficial owners and any connected parties, at the point of on-boarding and on an ongoing basis. Screening should be performed based on relevant ML/TF information sources, including information and lists provided by MAS and other relevant authorities in Singapore.

## **2.6 Politically Exposed Persons (PEP) – Paragraphs 8.1 to 8.4**

In light of new developments in international standards and best practices with respect to PEPs, MAS Notice FAA-N06 will further clarify requirements with respect to PEPs, their family members and close associates. This will introduce the option of adopting an RBA for certain categories of PEPs.

## **2.7 Other High Risk Categories - Paragraphs 8.5 to 8.7**

The amended MAS Notice FAA-N06 will set out requirements to take into account countries and jurisdictions identified by the FATF as higher risk. FAs are also required to have processes in place to ensure compliance with regulations (e.g. MAS Regulations on Iran and the Democratic People's Republic of Korea) and directions issued by MAS under section 27A of the MAS Act (Cap. 186). Such processes would include enhanced CDD measures where relevant.

## **2.8 Performance of CDD Measures by Third Parties - Paragraphs 9.1 to 9.5**

MAS Notice FAA-N06 will now specify requirements for FAs in terms of reliance on third parties, including their own branches and subsidiaries, to perform CDD.

## **2.9 Record-Keeping - Paragraphs 10.1 to 10.4**

MAS Notice FAA-N06 will now clarify requirements in relation to record-keeping of CDD information and records relating to a transaction.

## **2.10 Sharing of AML/CFT Information within Financial Group - Paragraphs 13.3 to 13.9**

2.10.1 A key element of an effective AML/CFT programme is the management of ML/TF risks on a group-wide basis. This is in line with MAS' existing approach and international best practice to better manage ML/TF risks across the financial group.

2.10.2 MAS Notice FAA-N06 will be amended to clarify existing expectations on FAs incorporated in Singapore to develop and implement group policies and procedures for their branches and subsidiaries within the financial group to share information required for the purposes of CDD, and for ML/TF risk management.

### **3 DRAFT MAS Notice FAA-N06**

MAS Notice FAA-N06

[ ] 2014

NOTICE TO FINANCIAL ADVISERS  
MONETARY AUTHORITY OF SINGAPORE ACT, CAP. 186

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

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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 the following, 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:

- (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) , 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 Financial Advisers Act read with regulation 27(1)(d) of the Financial Advisers Regulations (Rg. 2), from holding a financial adviser’s licence to act as a financial adviser in Singapore in respect of any financial advisory service.

1.2 This Notice shall take immediate effect. MAS Notice FAA-N06 dated 2 July 2007 is cancelled with effect from [ ].

### **2 DEFINITIONS**

2.1 For the purposes of this Notice —

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

“Authority” means the Monetary Authority of Singapore;

“beneficial owner”, in relation to a customer of a financial adviser, means the natural person who ultimately owns or controls a customer, or the natural person on whose behalf a transaction is conducted or business relations are established and includes any person who exercises ultimate effective control over a legal person or legal arrangement;

“business relations” means —

- a) the opening or maintenance of an account by the financial adviser in the name of;
- b) the provision of financial advisory service by the financial adviser to; or
- c) the undertaking of relationship management by the financial adviser for, a person (whether a natural person, legal person or legal arrangement);

“CDD measures” or “customer due diligence measures” means the measures required by paragraph 6;

“connected party” —

- (a) in relation to a legal person (other than a partnership), means any director or any natural person having executive authority in the legal person;
- (b) in relation to a legal person that is a partnership, means any partner or manager; and
- (c) in relation to a legal arrangement, means any natural person having executive authority in the legal arrangement, where applicable;

“Core Principles” refers to the Core Principles for Effective Banking Supervision issued by the Basel Committee on Banking Supervision, the Objectives and Principles for Securities Regulation issued by the International Organization of Securities Commissions, and the Insurance Core Principles issued by the International Association of Insurance Supervisors;

“customer”, in relation to a financial adviser, means a person (whether a natural person, legal person or legal arrangement) with whom the financial adviser establishes or intends to establish business relations 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) a licensed financial adviser;
- (b) an insurance broker registered under the Insurance Act which, by virtue of such registration, are exempt, under section 23(1)(c) of the Financial Advisers Act,

from holding a financial adviser's licence to act as a financial adviser in Singapore in respect of any financial advisory service; and

- (c) a person exempt, under section 23(1)(f) of the Financial Advisers Act read with regulation 27(1)(d) of the Financial Advisers Regulations, from holding a financial adviser's licence to act as a financial adviser in Singapore in respect of any financial advisory service;

but does not include any person in (a), (b) or (c) which only provides advice by issuing or promulgating research analyses or research reports, whether in electronic, print or other form, concerning any investment product;

"financial group" means a group that consists of a legal person or legal arrangement exercising control and coordinating functions over the rest of the group for the application of group supervision under the Core Principles, and its branches and subsidiaries that are subject to AML/CFT policies and procedures at the group level;

"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;

"legal person" means an entity other than a natural person that can establish a permanent customer relationship with a financial institution or otherwise own property;

"legal arrangement" means a trust or other similar arrangement;

"partnership" means 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);

"personal data" has the same meaning as defined in section 2(1) of the Personal Data Protection Act 2012 (Act 26 of 2012);

"reasonable measures" means appropriate measures which are commensurate with the money laundering or terrorism financing risks;

"relationship management" means the managing or servicing by an employee or a representative of a financial adviser of an account with a customer that is opened with the overseas subsidiary, branch, parent or related corporation of the financial adviser;

"STR" means suspicious transaction report;

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

"transaction", in relation to a financial adviser, means any transaction undertaken in the

course of its business relations with a customer and includes the sale or purchase of an investment product by a customer.

- 2.2 The expressions used in this Notice shall, except where defined in this Notice or where the context otherwise requires, have the same meanings as in the Financial Advisers Act (Cap.110).

### **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 shall exercise due diligence when dealing with customers, persons appointed to act on the customer's behalf and beneficial owners.
- (b) A financial adviser shall conduct its business in conformity with high ethical standards, and guard against establishing any business relations or undertaking any transaction, that is or may be connected with or may facilitate money laundering or terrorism financing.
- (c) A financial adviser shall, to the fullest extent possible, assist and cooperate with the relevant law enforcement authorities in Singapore to prevent money laundering and terrorism financing.

### **4 ASSESSING RISKS AND APPLYING A RISK-BASED APPROACH**

#### **Risk Assessment**

- 4.1 A financial adviser shall take appropriate steps to identify, assess and understand, its money laundering and terrorism financing risks in relation to —
- (a) its customers;
  - (b) the countries or jurisdictions its customers are from or in;
  - (c) the countries or jurisdictions the financial adviser has operations in; and
  - (d) the products, services, transactions and delivery channels of the financial adviser.
- 4.2 The appropriate steps referred to in paragraph 4.1 shall include —
- (a) documenting the financial adviser's risk assessments;



- (b) considering all the relevant risk factors before determining the level of overall risk and the appropriate type and extent of mitigation to be applied;
- (c) keeping the risk assessments up to date; and
- (d) having appropriate mechanisms to provide its risk assessment information to the Authority.

## **Risk Mitigation**

4.3 A financial adviser shall —

- (a) have policies, controls and procedures, which are approved by senior management, to enable it to manage and mitigate effectively the risks that have been identified by the financial adviser or notified to it by the Authority or other relevant authorities in Singapore;
- (b) monitor the implementation of those policies, controls and procedures and enhance them if necessary;
- (c) take enhanced measures where higher risks are identified, to manage and mitigate those higher risks; and
- (d) ensure that measures or enhanced measures taken to manage and mitigate the identified risks address the risk assessment and guidance from the Authority or relevant authorities in Singapore.

## **5 NEW PRODUCTS, PRACTICES AND TECHNOLOGIES**

5.1 A financial adviser shall identify and assess the money laundering and terrorism financing risks that may arise in relation to —

- (a) the development of new products and new business practices, including new delivery mechanisms; and
- (b) the use of new or developing technologies for both new and pre-existing products.

5.2 A financial adviser shall undertake the risk assessments, prior to the launch or use, to the extent permitted by this Notice, of such products, practices and technologies, and shall take appropriate measures to manage and mitigate the risks.

5.3 A financial adviser shall, in complying with the requirements of paragraphs 5.1 and 5.2, pay special attention to any —

- (a) new products and business practices, including new delivery mechanisms; and

- (b) new or developing technologies,  
that favour anonymity.

## **6 CUSTOMER DUE DILIGENCE (“CDD”)**

### **Anonymous or Fictitious Account**

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

### **Where There Are Reasonable Grounds for Suspicion on Prospective Customers**

- 6.2 Where the financial adviser has reasonable grounds to suspect that the assets or funds of a prospective customer, with whom the financial adviser intends to establish business relations or for whom the financial adviser intends to undertake transactions, are proceeds of a serious offence as defined in the Corruption, Drug Trafficking and other Serious Crimes (Confiscation of Benefits) Act (Cap. 65A), or are property related to the facilitation or carrying out of any terrorism financing offence as defined in the Terrorism (Suppression of Financing) Act (Cap. 325), the financial adviser shall —
- (a) not establish business relations or undertake a transaction with the prospective customer; and
  - (b) file an STR<sup>1</sup>, and extend a copy to the Authority for information.

### **When CDD measures are to be Performed**

- 6.3 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 terrorism 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.
- 6.4 Where a financial adviser 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

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

smaller transactions in order to evade the measures provided for in this Notice, the financial adviser shall treat the transactions as a single transaction and aggregate their values for the purpose of this Notice.

## **CDD Measures**

### (I) Identification of Customers

6.5 A financial adviser shall identify each customer.

6.6 For the purpose of paragraph 6.5, 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 if different, principal place of business) 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).

6.7 Where the customer is a legal person or legal arrangement, the financial adviser shall, apart from identifying the customer, also identify the legal form, constitution and powers of the legal person or legal arrangement.

6.8 Where the customer is a legal person (other than a partnership), the financial adviser shall, apart from identifying the customer, also identify the directors and any other natural persons having executive authority in the legal person.

6.9 Where the customer is a partnership, the financial adviser shall, apart from identifying the customer, also identify the partners and managers<sup>2</sup>.

6.10 Where the customer is a legal arrangement, the financial adviser shall, apart from identifying the customer, also identify the natural persons having executive authority in that legal arrangement.

### (II) Verification of Identity

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<sup>2</sup> In the case of limited liability partnerships and limited partnerships.

6.11 A financial adviser shall verify the identity of the customer, and where the customer is a legal person or legal arrangement, verify the legal form, proof of existence, constitution and powers of the legal person or legal arrangement, using reliable, independent source documents, data or information.

6.12 A financial adviser shall retain copies of all reference source documents, data or information 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

6.13 Where the customer appoints one or more natural persons to act on its 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 source documents, data or information; and

(c) retain copies of all reference source documents, data or information used to verify the identity of these persons.

6.14 A financial adviser shall verify the due authority of such persons to act on behalf of the customer by obtaining, at least the following:

(a) the appropriate documentary evidence authorising the appointment of such persons by the customer to act on its behalf; and

(b) the specimen signatures of the persons appointed.

6.15 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

6.16 Subject to paragraph 6.21, a financial adviser shall inquire if there exists any beneficial owner in relation to a customer.

6.17 Where there is one or more beneficial owner in relation to a customer, the financial adviser shall identify the beneficial owners and take reasonable measures to verify the identities of the beneficial owners, using the relevant information or data obtained from reliable, independent sources.

- 6.18 Where the customer is not a natural person, the financial adviser shall understand the nature of the customer's business and its ownership and control structure.
- 6.19 For customers that are legal persons, the financial adviser shall identify the beneficial owners by —
- (a) identifying the natural persons (whether acting alone or together) who ultimately own the legal person;
  - (b) to the extent that there is doubt under (a) as to whether the natural persons who ultimately own the legal person are the beneficial owners or where no natural persons ultimately own the legal person, identifying the natural persons (if any) who ultimately control the legal person or have ultimate effective control of the legal person; and
  - (c) where no natural persons are identified under (a) or (b) above, identifying the natural persons having executive authority in the legal person, or in equivalent or similar positions.
- 6.20 For customers that are legal arrangements, the financial adviser shall identify the beneficial owners by —
- (a) for trusts, identifying the settlor, the trustee(s), the protector (if any), the beneficiaries or class of beneficiaries, and any natural person exercising ultimate ownership, ultimate control or ultimate effective control over the trust (including through a chain of control/ownership); and
  - (b) for other types of legal arrangements, identifying persons in equivalent or similar positions, as those described under paragraph (a).
- 6.21 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 —
    - (i) regulatory disclosure requirements; and
    - (ii) requirements relating to adequate transparency in respect of its beneficial owners (imposed through stock exchange rules, law or other enforceable means);

- (e) a financial institution set out in Appendix 1;
- (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) set out in Appendix 1; 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 has doubts about the veracity of the CDD information, or suspects that the customer, business relations with, or transaction for the customer may be connected with money laundering or terrorism financing activities.

6.22 For the purposes of paragraphs 6.21(f) and 6.21(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

6.23 A financial adviser shall understand and 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

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

6.25 A financial adviser shall, during the course of business relations with a customer, 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.

6.26 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.

6.27 For the purposes of ongoing monitoring,, a financial adviser shall put in place adequate systems and processes, commensurate with the size and complexity of the financial adviser, to —

- (a) monitor its business relations with customers; and
  - (b) detect and report suspicious, complex or unusually large transactions, or unusual patterns of transactions.
- 6.28 A financial adviser shall, to the extent possible, inquire into the background and purpose of the transactions in paragraph 6.26 and document its findings with a view to making this information available to the relevant authorities should the need arise.
- 6.29 A financial adviser shall periodically review the adequacy of existing CDD information obtained in respect of customers, natural persons appointed to act on behalf of the customers, connected parties of the customers and beneficial owners of the customers and ensure that the documents, data or information are relevant and kept up to date, particularly for higher risk categories of customers.
- 6.30 Where there are reasonable grounds for suspicion that existing business relations with or transactions for a customer are connected with money laundering or terrorism financing, and where the financial adviser considers it appropriate to retain the customer —
- (a) the financial adviser shall substantiate the reasons for retaining the customer and shall document them; and
  - (b) the customer's business relations and transactions with the financial adviser shall be subjected to commensurate risk mitigation measures, including enhanced ongoing monitoring.
- 6.31 Where the financial adviser assesses the customer or the business relations with the customer referred to in paragraph 6.30 to be of high risk, the financial adviser shall conduct enhanced CDD, which shall include obtaining the approval of the financial adviser's senior management to retain the customer.

### **Non-Face-to-Face Verification**

- 6.32 A financial adviser shall put in place policies and procedures to address any specific risks associated with non-face-to-face business relations with a customer or transactions for a customer.
- 6.33 A financial adviser shall implement the policies and procedures referred to in paragraph 6.32 when establishing business relations with a customer and when conducting ongoing due diligence.
- 6.34 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 by Acquiring Financial Adviser on Identification and Verification Already Performed**

- 6.35 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 CDD 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**

- 6.36 Subject to paragraphs 6.37 and 6.38 of this Notice, a financial adviser shall complete verification of the identity of the customer including as required by paragraph 6.11, natural persons appointed to act on behalf of a customer and beneficial owners of the customer before the financial adviser establishes business relations with a customer.
- 6.37 A financial adviser may establish business relations and subsequently undertake transactions with a customer before completing the verification of the identity of the customer, including as required by paragraph 6.11, natural persons appointed to act on behalf of a customer and beneficial owners of a customer if —
- (a) the deferral of completion of the verification 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 financial adviser.
- 6.38 Where the financial adviser establishes business relations and subsequently undertakes transactions with a customer before verifying the identity of the customer (including as required by paragraph 6.11), natural persons appointed to act on behalf of a customer, and beneficial owners of a customer, the financial adviser shall adopt internal risk management policies and procedures concerning the conditions under which such business relations may be established prior to verification and complete such verification as soon as is reasonably practicable.



## **Where CDD Measures are Not Completed**

- 6.39 For the purposes of paragraph 6.40, a reference to the completion of CDD measures is a reference to the situation when the financial adviser has obtained, screened and verified all necessary CDD information under paragraphs 6, 7 and 8 of this Notice, and where the financial adviser has received satisfactory responses to all inquiries in relation to such necessary CDD information.
- 6.40 Where the financial adviser is unable to complete CDD measures, it shall not commence or continue business relations with any customer, or undertake any transaction for any customer. The financial adviser shall consider if the circumstances are suspicious so as to warrant the filing of an STR.

## **Joint Account**

- 6.41 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**

- 6.42 A financial adviser shall apply CDD measures to its existing customers based on its own assessment of materiality and risk, taking into account any CDD measures previously applied to such existing customers, when such CDD measures were last applied, and the adequacy of data or information obtained.

## **Customer Screening**

- 6.43 A financial adviser shall screen a customer, natural persons appointed to act on behalf of a customer, connected parties of a customer and beneficial owners of a customer against relevant money laundering and terrorism financing information sources, as well as lists and information provided by the Authority and any relevant authorities in Singapore for the purposes of determining if there are any money laundering or terrorism financing risks in relation to the customer.
- 6.44 A financial adviser shall screen the persons referred to in paragraph 6.43 —
- (a) when, or as soon as reasonably practicable after, the financial adviser establishes business relations with the customer;
  - (b) on a periodic basis after the financial adviser establishes business relations with the customer; and
  - (c) when there are any changes or updates to —
    - (i) the lists and information provided by the Authority and any relevant authorities in Singapore to the financial adviser; or

- (ii) natural persons appointed to act on behalf of a customer, connected parties or beneficial owners of a customer.

6.45 The results of screening and assessment by the financial adviser shall be documented.

## **7 SIMPLIFIED CUSTOMER DUE DILIGENCE**

7.1 Subject to paragraph 7.4, a financial adviser may perform such simplified CDD measures as it considers adequate to effectively identify and verify the identity of a customer, any natural person appointed to act on behalf of a customer, any connected party of a customer and any beneficial owner of a customer, if it is satisfied that the risks of money laundering and terrorism financing are low.

7.2 The assessment of low risks shall be supported by an adequate analysis of risks by the financial adviser, taking into account any information that may be provided by the Authority, and other relevant authorities in Singapore.

7.3 The simplified CDD measures shall be commensurate with the level of risk, based on the risk factors identified by the financial adviser.

7.4 No financial adviser shall perform simplified CDD measures in the following circumstances:

- (a) where the customers are from or in countries and jurisdictions identified by the FATF as higher risk countries or jurisdictions;
- (b) 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
- (c) where the financial adviser suspects that money laundering or terrorism financing is involved.

7.5 Subject to paragraphs 7.2 and 7.3, a financial adviser may perform simplified CDD measures in relation to a customer that is a financial institution set out in Appendix 2.

7.6 Where the financial adviser performs simplified CDD measures in relation to a customer, any natural person appointed to act on behalf of a customer, any connected party of a customer and any beneficial owner of a customer, it shall document —

- (a) the details of its risk assessment; and
- (b) the nature of the simplified CDD measures.

## 8 ENHANCED CUSTOMER DUE DILIGENCE

### Politically Exposed Persons

8.1 For the purposes of paragraph 8 —

“close associate” means a natural person who is closely connected to a politically exposed person, either socially or professionally;

“domestic politically exposed person” means a natural person who is or has been entrusted domestically with prominent public functions;

“family member” means a natural person who is related to a politically exposed person directly or is married to the politically exposed person;

“foreign politically exposed person” means a natural person who is or has been entrusted with prominent public functions by a foreign country;

“international organisation” means an entity established by formal political agreements between member countries that have the status of international treaties, whose existence is recognised by law in member countries and who is not treated as a resident institutional unit of the countries in which it is located;

“international organisation politically exposed person” means a natural person who is or has been entrusted with prominent public function by an international organisation;

“politically exposed person” means a domestic politically exposed person, foreign politically exposed person or international organisation politically exposed person; and

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

8.2 A financial adviser shall, in addition to performing CDD measures specified in paragraph 6, perform enhanced CDD measures in relation to politically exposed persons, legal persons or legal arrangements owned or controlled by politically exposed persons, including but not limited to the following:

(a) implement appropriate internal risk management systems, policies, procedures and controls to determine if a customer, any natural person appointed to act on behalf of a customer, any connected party of a customer or any beneficial owner of a customer is a politically exposed person;

- (b) obtain approval from the financial adviser's senior management to establish or continue business relations with a customer where the customer, any natural person appointed to act on behalf of a customer, any connected party of a customer or any beneficial owner of a customer 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 any beneficial owner of a customer; and
- (d) conduct, during the course of business relations with, or when undertaking transactions for a customer, enhanced monitoring of the business relations with the customer.

8.3 The financial adviser shall ensure that the enhanced CDD requirements for a politically exposed person in paragraph 8.2 shall also apply to family members and close associates of such a politically exposed persons.

8.4 A financial adviser may adopt a risk-based approach in determining whether to perform enhanced CDD or the extent of enhanced CDD to be performed for —

- (a) domestic politically exposed persons, their family members and close associates;
- (b) international organisation politically exposed persons, their family members and close associates; or
- (c) politically exposed persons who have stepped down from their prominent public functions, taking into consideration the level of influence such persons may continue to exercise after stepping down from their prominent public functions, their family members and close associates,

except in cases where their business relations or transactions with the financial adviser present a higher risk for money laundering or terrorism financing.

### **Other High Risk Categories**

8.5 A financial adviser shall perform the appropriate enhanced CDD measures in paragraph 8.2 for such other categories of customers, business relations or transactions as the financial adviser may assess or is notified by the Authority or other relevant authorities in Singapore, to present a higher risk for money laundering and terrorism financing. In particular, the financial adviser shall increase the degree and nature of monitoring of the business relations with and transactions for the customer, in order to determine whether they appear unusual or suspicious.

8.6 A financial adviser shall give particular attention to business relations with and transactions for any customer and any beneficial owner of a customer from or in

countries and jurisdictions —

- (a) identified by the FATF as higher risk countries or jurisdictions; or
- (b) 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,

and shall perform enhanced CDD measures that are commensurate with the risks identified for the business relations and transactions.

- 8.7 A financial adviser shall, in taking enhanced CDD measures to manage and mitigate any higher risks that have been identified by the financial adviser or notified to it by the Authority or other relevant authorities in Singapore, ensure that the enhanced CDD measures take into account the requirements of any laws, regulations or directions administered by the Authority, including but not limited to the regulations or directions issued by the Authority under section 27A of the Monetary Authority of Singapore Act (Cap. 186).

## **9 PERFORMANCE OF CDD MEASURES BY THIRD PARTIES**

9.1 For the purposes of paragraph 9, “third party” means —

- (a) a financial institution set out in Appendix 2;
- (b) a financial institution which is subject to and supervised by a foreign authority for compliance with AML/CFT requirements consistent with standards set by the FATF (other than a holder of a money-changer’s licence or a holder of a remittance licence, or equivalent licences);
- (c) in relation to a financial adviser incorporated in Singapore, its branches, subsidiaries, parent corporation and other related corporations; or
- (d) in relation to a financial adviser incorporated outside Singapore, its parent corporation, the branches and subsidiaries of the parent corporation, and other related corporations.

9.2 Subject to paragraph 9.3, a financial adviser may rely on a third party to perform the CDD measures in paragraph 6 of this Notice if the following requirements are met:

- (a) the financial adviser is satisfied that the third party 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 financial adviser takes appropriate steps to identify, assess and understand

the money laundering and terrorism financing risks particular to the countries or jurisdictions that the third party operates in;

- (c) the third party is not one which financial advisers have been specifically precluded by the Authority from relying upon; and
- (d) the third party is able and willing to provide, without delay, upon the financial adviser's request, any document obtained by the third party with respect to the CDD measures applied on the financial adviser's customer, which the financial adviser would be required or would want to obtain.

9.3 No financial adviser shall rely on a third party to conduct ongoing monitoring of business relations with customers.

9.4 Where a financial adviser relies on a third party to perform the CDD measures, it shall —

- (a) document the basis for its satisfaction that the requirements in paragraph 9.2(a) and (b) have been met, except where the third party is a financial institution set out in Appendix 2; and
- (b) immediately obtain from the third party the CDD information which the third party had obtained.

9.5 For the avoidance of doubt, notwithstanding the reliance upon a third party, the financial adviser shall remain responsible for its AML/CFT obligations in this Notice.

## **10 RECORD KEEPING**

10.1 A financial adviser shall prepare, maintain and retain documentation on all its business relations with and transactions for its customers such that —

- (a) all requirements imposed by law (including this Notice) are met;
- (b) any individual transaction undertaken by the financial adviser can be reconstructed (including the amounts and types of currency involved) so as to provide, if necessary, evidence for prosecution of criminal activity;
- (c) the Authority or other relevant authorities in Singapore and the internal and external auditors of the financial adviser are able to review the financial adviser's business relations, transactions, records and CDD information and assess the 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 or by the requesting authority, any enquiry or order

from the relevant authorities in Singapore for information.

- 10.2 Subject to paragraph 10.4 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) for CDD information (including the results of screening and the financial adviser's assessment of the results), and other documents relating to the business relations and transactions, as well as account files, business correspondence and results of any analysis undertaken, a period of at least 5 years following the termination of such business relations; and
  - (b) for records relating to a transaction, including any information needed to explain and reconstruct the transaction, a period of at least 5 years following the completion of the transaction.
- 10.3 A financial adviser may retain documents, data and information 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.
- 10.4 A financial adviser shall retain records of documentation, data and information on all its business relations with or transactions for a customer pertaining to a matter which is under investigation or which has been the subject of an STR, in accordance with any request or order from STRO or from other relevant authorities in Singapore.

## **11 PERSONAL DATA**

- 11.1 For the purposes of paragraph 11, "individual" means a natural person, whether living or deceased.
- 11.2 Subject to paragraph 11.3 and for the purposes of complying with this Notice, a financial adviser 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 financial adviser;
  - (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 financial adviser; 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 financial adviser.

- 11.3 A financial adviser 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 financial adviser:
    - (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 2012 (Act 26 of 2012), any other personal data of the respective individual provided by that individual to the financial adviser; 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 financial adviser is satisfied that there are reasonable grounds for such request.
- 11.4 For the purposes of complying with this Notice, a financial adviser 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.

## **12 SUSPICIOUS TRANSACTIONS REPORTING**

- 12.1 A financial adviser shall keep in mind the provisions in the Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act<sup>3</sup> (Cap. 65A) and in the Terrorism (Suppression of Financing) Act (Cap. 325) that provide for the reporting to the authorities of transactions suspected of being connected with money laundering or terrorism financing and implement appropriate internal policies, procedures and controls for meeting its obligations under the law, including the following:

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<sup>3</sup> Please note in particular section 48 of the Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act on tipping-off.



- (a) establish a single reference point within the organisation to whom all employees are instructed to promptly refer all transactions suspected of being connected with money laundering or terrorism 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.
- 12.2 A financial adviser shall promptly submit reports on suspicious transactions (including attempted transactions), regardless of the amount of the transaction, to STRO, and extend a copy to the Authority for information.
- 12.3 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.

### **13 INTERNAL POLICIES, COMPLIANCE, AUDIT AND TRAINING**

- 13.1 A financial adviser shall develop and implement adequate internal policies, procedures and controls, taking into consideration its money laundering and terrorism financing risks and the size of its business, to help prevent money laundering and terrorism financing and communicate these to its employees.
- 13.2 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 STRs.

#### **Group Policy**

- 13.3 For the purposes of paragraphs 13.4 to 13.9, a reference to financial adviser shall mean a financial adviser incorporated in Singapore.
- 13.4 A financial adviser shall develop a group policy on AML/CFT to meet all requirements of this Notice and extend this to all of its branches and subsidiaries in its financial group, including those outside Singapore.
- 13.5 Where a financial adviser has a branch or subsidiary in a host country or jurisdiction —
  - (a) identified by the FATF as a higher risk country or jurisdiction; or

- (b) 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 any other foreign regulatory authority,

the financial adviser shall ensure that its group policy on AML/CFT is strictly observed by the management of that branch or subsidiary.

- 13.6 Subject to the financial adviser putting in place adequate safeguards to protect the confidentiality and use of any information that is shared, as may be required by the law of the country or jurisdiction, the financial adviser shall develop and implement group policies and procedures for its branches and subsidiaries within the financial group to share information required for the purposes of CDD, and for money laundering and terrorism financing risk management.
- 13.7 Such policies and procedures shall include the provision, at the financial adviser's group-level compliance, audit, and AML/CFT functions, of customer, account, and transaction information from its branches and subsidiaries within the financial group, when necessary for money laundering and terrorism financing risk management purposes.
- 13.8 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.
- 13.9 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 apply additional appropriate measures to manage the money laundering and terrorism financing risks, report this to the Authority and comply with such further directions as may be given by the Authority.

## **Compliance**

- 13.10 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.
- 13.11 A financial adviser shall ensure that the AML/CFT compliance officer, as well as any other persons appointed to assist him, has adequate resources and timely access to all customer records and other relevant information which they require to discharge their functions.

## **Audit**

- 13.12 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 and Representative Hiring

13.13 A financial adviser shall have in place screening procedures to ensure high standards when hiring employees, appointing officers<sup>4</sup> and representatives.

## Training

13.14 A financial adviser shall take all appropriate steps to ensure that its employees, officers and representatives (whether in Singapore or elsewhere) are suitably qualified, and regularly and appropriately 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 terrorism financing; and
- (c) the financial adviser's internal policies, procedures and controls on AML/CFT and the roles and responsibilities of employees, officers and representatives in combating money laundering and terrorism financing.

## Endnotes on History of Amendments

1. MAS Notice FAA-N06 dated 2 July 2007 with effect from 2 July 2007.
  - (a) MAS Notice FAA-N06 (Amendment) 2009 with effect from 3 July 2009.
  - (b) MAS Notice FAA-N06 (Amendment) 2009 with effect from 2 December 2009.
  - (c) MAS Notice FAA-N06 (Amendment) 2013 with effect from 23 January 2013.
  - (d) MAS Notice FAA-N06(Amendment) 2014 with effect from 1 July 2014.
2. MAS Notice FAA-N06 dated 2 July 2007 cancelled with effect from (xxxx).
3. MAS Notice FAA-N06 dated (xxxx) with effect from (xxxx).

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<sup>4</sup> "Officer" –

- (a) in relation to a licensee that is a legal person (other than a partnership), means any director or any member of the committee of management of the legal person;
- (b) in relation to a licensee that is a partnership, means any partner or manager; and
- (c) in relation to a licensee that is a legal arrangement, means any member of the committee of management of the legal arrangement, where applicable.

## **Appendix 1** —

1. Financial institutions that are licensed, approved, registered (including a fund management company registered under paragraph 5(1)(i) of the Second Schedule to the Securities and Futures (Licensing and Conduct of Business) Regulations (Rg. 10)) or regulated by the Authority but do not include —
  - (a) holders of stored value facilities, as defined in section 2(1) of the Payment Systems (Oversight) Act (Cap. 222A); and
  - (b) a person (other than a person referred to in paragraphs 2 and 3) who is exempted from licensing, approval or regulation by the Authority under any Act administered by the Authority, including a private trust company exempted from licensing under section 15 of the Trust Companies Act (Cap. 336) read with regulation 4 of the Trust Companies (Exemption) Regulations (Rg. 1);
2. Persons exempted under section 23(1)(f) of the Financial Advisers Act (Cap. 110) read with regulation 27(1)(d) of the Financial Advisers Regulations (Rg. 2); and
3. Persons exempted under section 99(1)(h) of the Securities and Futures Act (Cap. 289) read with paragraph 7(1)(b) of the Second Schedule to the Securities and Futures (Licensing and Conduct of Business) Regulations.

## **Appendix 2**—

1. Banks in Singapore licensed under section 7 of the Banking Act (Cap.19);
2. Merchant banks approved under section 28 of the Monetary Authority of Singapore Act (Cap. 186);
3. Finance companies licensed under section 6 of the Finance Companies Act (Cap. 108);
4. Financial advisers licensed under section 6 of the Financial Advisers Act (Cap. 110) 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;
5. Holders of a capital markets services licence under section 82 of the Securities and Futures Act (Cap. 289);
6. Fund management companies registered under paragraph 5(1)(i) of the Second Schedule to the Securities and Futures (Licensing and Conduct of Business) Regulations (Rg. 10);
7. Persons exempted under section 23(1)(f) of the Financial Advisers Act read with regulation 27(1)(d) of the Financial Advisers Regulations (Rg. 2) 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;
8. Persons exempted under section 99(1)(h) of the Securities and Futures Act read with paragraph 7(1)(b) of the Second Schedule to the Securities and Futures (Licensing and Conduct of Business) Regulations;
9. Approved trustees approved under section 289 of the Securities and Futures Act;
10. Trust companies licensed under section 5 of the Trust Companies Act (Cap. 336);
11. Direct life insurers licensed under section 8 of the Insurance Act (Cap. 142); and
12. Insurance brokers registered under the Insurance Act which, by virtue of such registration, are exempted under section 23(1)(c) of the Financial Advisers Act 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.

#### 4 DRAFT MAS Notice FAA-N06 (TRACKED CHANGES)

MAS Notice FAA-N06

2 July 2007

Last revised on 1 July

[ ] 2014

(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

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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 the following: the following, 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:

(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)~~,<sup>1</sup> 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~~Financial Advisers Act 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]

1.2 This Notice shall take immediate effect. MAS Notice FAA-N06 dated 2 July 2007 is cancelled with effect from [ ].

## 2 DEFINITIONS

### 2.1 For the purposes of this Notice —

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

“Authority” means the Monetary Authority of Singapore;

“beneficial owner”, in relation to a customer of a financial adviser, means the natural person who ultimately owns or controls a customer, or the natural person on whose behalf a transaction is ~~being~~ conducted or business relations are established and includes ~~the~~any person who exercises ultimate effective control over ~~body corporate or unincorporate;~~ a legal person or legal arrangement;

“business relations” means —

a) the opening or maintenance of an account by the financial adviser in the name of a person and;

b) the provision of financial advisory service by the financial adviser to; or

c) the undertaking of ~~transactions~~relationship management by the financial adviser for that;

a person (whether a natural person on that account, legal person or legal arrangement);

~~“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~~measures required by paragraph 46;

~~“customer”;~~

“connected party” —

(a) in relation to a financial adviser, legal person (other than a partnership), means a person in whose name an account is opened any director or intended to be opened any natural person having executive authority in the legal person;

(b) in relation to a legal person that is a partnership, means any partner or manager; and

(c) in relation to a legal arrangement, means any natural person having executive authority in the legal arrangement, where applicable;

“Core Principles” refers to the Core Principles for Effective Banking Supervision issued by the Basel Committee on Banking Supervision, the Objectives and Principles for Securities Regulation issued by the International Organization of Securities

Commissions, and the Insurance Core Principles issued by the International Association of Insurance Supervisors;

“customer”, in relation to a financial adviser, means a person (whether a natural person, legal person or legal arrangement) with whom the financial adviser establishes or intends to establish business relations 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) a licensed financial ~~advisers;~~adviser;

(b) an insurance ~~brokers~~broker 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

~~persons~~(c) a person exempt, under section 23(1)(f) of the ~~FAA~~Financial Advisers Act read with regulation 27(1)(d) of the ~~Financial Advisers Regulations (FAR) (Reg 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;~~

~~(e) but does not include any person in (a), (b) or (c) which only provide~~provides 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]

“financial group” means a group that consists of a legal person or legal arrangement exercising control and coordinating functions over the rest of the group for the application of group supervision under the Core Principles, and its branches and subsidiaries that are subject to AML/CFT policies and procedures at the group level;

“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;

“legal person” means an entity other than a natural person that can establish a permanent customer relationship with a financial institution or otherwise own property;

“legal arrangement” means a trust or other similar arrangement;



“partnership” means 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);

“personal data” has the same meaning as defined in section 2(1) of the Personal Data Protection Act 2012 (Act 26 of 2012);

“reasonable measures” means appropriate measures which are commensurate with the money laundering or terrorism financing risks;

“relationship management” means the managing or servicing by an employee or a representative of a financial adviser of an account with a customer that is opened with the overseas subsidiary, branch, parent or related corporation of the financial adviser;

“STR” means suspicious transaction report; ~~and~~

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

~~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.~~

~~Unless “transaction”, in relation to a financial adviser, means any transaction undertaken in the course of its business relations with a customer and includes the sale or purchase of an investment product by a customer.~~

~~2.32.2 The expressions used in this Notice shall, except where defined in this Notice or where the context otherwise requires, a reference to a financial institution supervised by have the same meanings as in the Authority does not include a person who is exempted from licensing, approval or regulation by the Authority. Financial Advisers Act (Cap.110).~~

### **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~~shall exercise due diligence when dealing with customers, persons appointed to act on the customer’s behalf and beneficial owners.

(b) A financial adviser ~~must~~shall conduct its business in conformity with high ethical standards, and guard against establishing any business relations or undertaking any transaction, that is or may be connected with or may facilitate money laundering or ~~terrorist~~terrorism financing.

- (c) A financial adviser ~~should, whenever possible and shall~~, to the fullest extent possible, assist and cooperate with the relevant law enforcement authorities in Singapore ~~in preventing to prevent~~ money laundering and ~~terrorist terrorism~~ financing.

## **4 ASSESSING RISKS AND APPLYING A RISK-BASED APPROACH**

### **Risk Assessment**

4.1 A financial adviser shall take appropriate steps to identify, assess and understand, its money laundering and terrorism financing risks in relation to —

- (a) its customers;
- (b) the countries or jurisdictions its customers are from or in;
- (c) the countries or jurisdictions the financial adviser has operations in; and
- (d) the products, services, transactions and delivery channels of the financial adviser.

4.2 The appropriate steps referred to in paragraph 4.1 shall include —

- (a) documenting the financial adviser's risk assessments;
- (b) considering all the relevant risk factors before determining the level of overall risk and the appropriate type and extent of mitigation to be applied;
- (c) keeping the risk assessments up to date; and
- (d) having appropriate mechanisms to provide its risk assessment information to the Authority.

### **Risk Mitigation**

4.3 A financial adviser shall —

- (a) have policies, controls and procedures, which are approved by senior management, to enable it to manage and mitigate effectively the risks that have been identified by the financial adviser or notified to it by the Authority or other relevant authorities in Singapore;
- (b) monitor the implementation of those policies, controls and procedures and enhance them if necessary;

(c) take enhanced measures where higher risks are identified, to manage and mitigate those higher risks; and

(d) ensure that measures or enhanced measures taken to manage and mitigate the identified risks address the risk assessment and guidance from the Authority or relevant authorities in Singapore.

## **5 NEW PRODUCTS, PRACTICES AND TECHNOLOGIES**

5.1 A financial adviser shall identify and assess the money laundering and terrorism financing risks that may arise in relation to —

(a) the development of new products and new business practices, including new delivery mechanisms; and

(b) the use of new or developing technologies for both new and pre-existing products.

5.2 A financial adviser shall undertake the risk assessments, prior to the launch or use, to the extent permitted by this Notice, of such products, practices and technologies, and shall take appropriate measures to manage and mitigate the risks.

5.3 A financial adviser shall, in complying with the requirements of paragraphs 5.1 and 5.2, pay special attention to any —

(a) new products and business practices, including new delivery mechanisms; and

(b) new or developing technologies,

that favour anonymity.

## **46 CUSTOMER DUE DILIGENCE (“CDD”)**

### **-Anonymous or Fictitious Account**

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

### **-Where There Are Reasonable Grounds for Suspicion on Prospective Customers**

6.2 Where the financial adviser has reasonable grounds to suspect that the assets or funds of a prospective customer, with whom the financial adviser intends to establish business relations or for whom the financial adviser intends to undertake transactions, are proceeds of a serious offence as defined in the Corruption, Drug Trafficking and other

Serious Crimes (Confiscation of Benefits) Act (Cap. 65A), or are property related to the facilitation or carrying out of any terrorism financing offence as defined in the Terrorism (Suppression of Financing) Act (Cap. 325), the financial adviser shall —

- (a) not establish business relations or undertake a transaction with the prospective customer; and
- (b) file an STR<sup>1</sup>, and extend a copy to the Authority for information.

### When CDD ~~Measures~~measures are to be Performed

4.26.3 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~~terrorism 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.

6.4 Where a financial adviser 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 financial adviser shall treat the transactions as a single transaction and aggregate their values for the purpose of this Notice.

### CDD Measures ~~where Business Relations are Established~~

(l) Identification of Customers

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

4.46.6 For the purpose of paragraph 4.36.5, a financial adviser shall obtain and record information of the customer, including but not limited to the following:

- (a) ~~Full~~full name, including any aliases;
- (b) ~~Unique~~unique identification number (such as an identity card number, birth

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

certificate number or passport number, or where the customer is not a natural person, the incorporation number or business registration number);

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

~~4.56.7~~ Where the customer is a ~~company~~legal person or legal arrangement, the financial adviser shall, apart from identifying the customer, also identify the ~~directors~~legal form, constitution and powers of the ~~company~~legal person or legal arrangement.

~~6.8~~ Where the customer is a ~~legal person (other than a partnership or a limited liability)~~, the financial adviser shall, apart from identifying the customer, also identify the ~~directors and any other natural persons having executive authority in the legal person~~.

~~4.66.9~~ Where the customer is a partnership, the financial adviser shall, apart from identifying the customer, also identify the partners and managers<sup>2</sup>.

~~4.76.10~~ Where the customer is ~~any other body corporate or unincorporate~~a legal arrangement, the financial adviser shall, apart from identifying the customer, also ~~establish~~identify the ~~identity of the~~natural persons having executive authority in that ~~body corporate or unincorporate~~legal arrangement.

## (II) Verification of Identity

~~4.86.11~~ A financial adviser shall verify the identity of the customer, and where the customer is a legal person or legal arrangement, verify the legal form, proof of existence, constitution and powers of the legal person or legal arrangement, using reliable, independent ~~sources~~source documents, data or information.

~~4.96.12~~ A financial adviser shall retain copies of all reference source documents, data or information 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

~~4.106.13~~ Where the customer appoints one or more natural persons to act on ~~his~~its behalf in establishing business relations with the financial adviser or the customer is not a natural person, a financial adviser shall —

<sup>2</sup> In the case of limited liability partnerships and limited partnerships.

- (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~~source documents, data or information; and
- (c) retain copies of all reference source documents, data or information used to verify the identity of these persons.

~~4.116.14~~ 4.116.14 A financial adviser shall verify the due authority of such persons to act on behalf of the customer: by obtaining, at least the following:

~~4.12~~ 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 authorising the appointment of such persons by~~ the customer ~~has appointed the persons~~ to act on its behalf; ~~;~~ and
- (b) the specimen signatures of the persons appointed.

~~4.136.15~~ 4.136.15 Where the customer is a Singapore ~~government~~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~~Government entity as asserted.

#### (IV) Identification and Verification of Identity of Beneficial Owners

~~4.146.16~~ 4.146.16 Subject to paragraph ~~4.176.21~~, a financial adviser shall inquire if there exists any beneficial owner in relation to a customer.

~~4.156.17~~ 4.156.17 Where there is one or more beneficial owner in relation to a customer, the financial adviser shall identify the beneficial owners and take reasonable measures to ~~obtain information sufficient to identify and~~ verify the identities of the beneficial ~~owner~~owners, using the relevant information or data obtained from reliable, independent sources.

~~4.166.18~~ 4.166.18 Where the customer is not a natural person, the financial adviser shall ~~take reasonable measures to~~ understand the nature of the customer's business and its ownership and control structure ~~of the customer.~~

~~6.19~~ 6.19 ~~For customers that are legal persons, the financial adviser shall identify the beneficial owners by —~~

- (a) identifying the natural persons (whether acting alone or together) who ultimately own the legal person;

(b) to the extent that there is doubt under (a) as to whether the natural persons who ultimately own the legal person are the beneficial owners or where no natural persons ultimately own the legal person, identifying the natural persons (if any) who ultimately control the legal person or have ultimate effective control of the legal person; and

(c) where no natural persons are identified under (a) or (b) above, identifying the natural persons having executive authority in the legal person, or in equivalent or similar positions.

6.20 For customers that are legal arrangements, the financial adviser shall identify the beneficial owners by —

(a) for trusts, identifying the settlor, the trustee(s), the protector (if any), the beneficiaries or class of beneficiaries, and any natural person exercising ultimate ownership, ultimate control or ultimate effective control over the trust (including through a chain of control/ownership); and

(b) for other types of legal arrangements, identifying persons in equivalent or similar positions, as those described under paragraph (a).

4.176.21 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~~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 —

(d)(i) regulatory disclosure requirements; and

~~(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);~~

(ii) requirements relating to adequate transparency in respect of its beneficial owners (imposed through stock exchange rules, law or other enforceable means);

(e) a financial institution set out in Appendix 1;

- (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 set out in Appendix 1~~; 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 ~~has doubts about the veracity of the CDD information, or suspects that the customer, business relations with, or transaction is for the customer may be~~ connected with money laundering or ~~terrorist~~terrorism financing activities.

~~4.186.22~~ For the purposes of paragraphs ~~4.176.21~~(f) and ~~4.176.21~~(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

~~4.196.23~~ A financial adviser shall ~~understand and~~ 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

~~4.206.24~~ A financial adviser shall monitor on an ongoing basis, its business relations with customers.

~~4.216.25~~ A financial adviser shall, during the course of business relations with a customer, 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.

~~4.226.26~~ 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.

~~6.27~~ For the purposes of ongoing monitoring, a financial adviser shall put in place adequate systems and processes, commensurate with the size and complexity of the financial adviser, to —



(a) monitor its business relations with customers; and

(b) detect and report suspicious, complex or unusually large transactions, or unusual patterns of transactions.

4.236.28 A financial adviser shall, to the extent possible, inquire into the background and purpose of the transactions in paragraph ~~4.22~~ 6.26 and document its findings with a view to making this information available to the relevant ~~competent~~ authorities should the need arise.

4.246.29 A financial adviser shall periodically review the adequacy of ~~customer identification~~ existing CDD information obtained in respect of customers, natural persons appointed to act on behalf of the customers, connected parties of the customers and beneficial owners of the customers and ensure that the documents, data or information ~~is~~ are relevant and kept up to date, particularly for higher risk categories of customers.

6.30 Where there are reasonable grounds for suspicion that existing business relations with or transactions for a customer are connected with money laundering or terrorism financing, and where the financial adviser considers it appropriate to retain the customer —

(a) the financial adviser shall substantiate the reasons for retaining the customer and shall document them; and

(b) the customer's business relations and transactions with the financial adviser shall be subjected to commensurate risk mitigation measures, including enhanced ongoing monitoring.

6.31 Where the financial adviser assesses the customer or the business relations with the customer referred to in paragraph 6.30 to be of high risk, the financial adviser shall conduct enhanced CDD, which shall include obtaining the approval of the financial adviser's senior management to retain the customer.

## **Non-Face-to-Face Verification**

4.256.32 A financial adviser shall put in place policies and procedures to address any specific risks associated with non-face-to-face business ~~relationships~~ relations with a customer or transactions for a customer.

4.266.33 A financial adviser shall implement the policies and procedures referred to in paragraph ~~4.256.32~~ when establishing business relations with a customer ~~relationships~~ and when conducting ongoing due diligence.

4.276.34 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 by Acquiring Financial Adviser on Identification and Verification Already Performed

4.286.35 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 identificationCDD 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

4.296.36 Subject to ~~paragraph 4.30~~paragraphs 6.37 and 6.38 of this Notice, a financial adviser shall complete verification of the identity of the customer ~~and beneficial owner~~ including as required by paragraph 6.11, natural persons appointed to act on behalf of a customer and beneficial owners of the customer before the financial adviser establishes business relations with a customer.

4.306.37 A financial adviser may establish business relations and subsequently undertake transactions with a customer before completing the verification of the identity of the customer, including as required by paragraph 6.11, natural persons appointed to act on behalf of a customer and beneficial ~~owner~~owners of a customer 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~~terrorism financing can be effectively managed by the financial adviser.

4.316.38 Where the financial adviser establishes business relations and subsequently undertakes transactions with a customer before ~~verification of~~verifying the identity of the customer ~~or~~(including as required by paragraph 6.11), natural persons appointed to act on behalf of a customer, and beneficial ~~owner~~owners of a customer, the financial adviser shall adopt internal risk management policies and procedures concerning the

conditions under which such business relations may be established prior to verification and complete such verification as soon as is reasonably practicable.

## **Where CDD Measures are Not Completed**

6.39 For the purposes of paragraph 6.40, a reference to the completion of CDD measures is a reference to the situation when the financial adviser has obtained, screened and verified all necessary CDD information under paragraphs 6, 7 and 8 of this Notice, and where the financial adviser has received satisfactory responses to all inquiries in relation to such necessary CDD information.

4.326.40 Where the financial adviser is unable to complete CDD measures, it shall ~~terminate the business relationship and not commence or continue business relations with any customer, or undertake any transaction for any customer.~~ The financial adviser shall consider if the circumstances are suspicious so as to warrant the filing of an STR.

## **Joint Account**

4.336.41 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**

6.42 A financial adviser shall ~~perform such apply~~ CDD measures ~~as may be appropriate~~ to its existing customers ~~having regard to~~ based on its own assessment of materiality and risk, taking into account any CDD measures previously applied to such existing customers, when such CDD measures were last applied, and the adequacy of data or information obtained.

## **Customer Screening**

6.43 A financial adviser shall screen a customer, natural persons appointed to act on behalf of a customer, connected parties of a customer and beneficial owners of a customer against relevant money laundering and terrorism financing information sources, as well as lists and information provided by the Authority and any relevant authorities in Singapore for the purposes of determining if there are any money laundering or terrorism financing risks in relation to the customer.

6.44 A financial adviser shall screen the persons referred to in paragraph 6.43 —

(a) when, or as soon as reasonably practicable after, the financial adviser establishes business relations with the customer;

(b) on a periodic basis after the financial adviser establishes business relations with the customer; and

(c) when there are any changes or updates to —

(i) the lists and information provided by the Authority and any relevant authorities in Singapore to the financial adviser; or

(ii) natural persons appointed to act on behalf of a customer, connected parties or beneficial owners of a customer.

4.346.45 The results of screening and assessment by the financial adviser shall be documented.

## **57 SIMPLIFIED CUSTOMER DUE DILIGENCE**

5.17.1 Subject to paragraph 5.27.4, a financial adviser may perform such simplified CDD measures as it considers adequate to effectively identify and verify the identity of ~~the~~ customer, ~~any~~ natural person appointed to act on ~~the customer's~~ behalf of a customer, any connected party of a customer and any beneficial owner of a customer, if it is satisfied that the risks of money laundering and ~~terrorist~~terrorism financing are low.

7.2 The assessment of low risks shall be supported by an adequate analysis of risks by the financial adviser, taking into account any information that may be provided by the Authority, and other relevant authorities in Singapore.

7.3 The simplified CDD measures shall be commensurate with the level of risk, based on the risk factors identified by the financial adviser.

5.27.4 No financial adviser shall perform simplified CDD measures in the following circumstances:

(a) where the customers are from or in countries and jurisdictions identified by the FATF as higher risk countries or jurisdictions;

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

[FAA-N06 (Amendment) 2009]

~~5.37.5~~ Subject to paragraphs 7.2 and 7.3, 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), set out in Appendix 2.

~~5.47.6~~ Where the financial adviser performs simplified CDD measures in relation to a customer, any natural person appointed to act on behalf of a customer, any connected party of a customer and any beneficial owner of a customer, it shall document —

~~(a)~~ (a) — the details of its risk assessment; and

~~(b)~~ (b) — the nature of the simplified CDD measures.

## ~~68~~ ENHANCED CUSTOMER DUE DILIGENCE

### **Politically Exposed Persons**

~~6.18.1~~ For the purposes of paragraph ~~68~~ —

~~“close associate” means a natural person who is closely connected to a politically exposed person~~ “close associate” means a natural person who is closely connected to a politically exposed person ~~means~~ , either socially or professionally;

~~(a) “domestic politically exposed person” means a natural person who is or has been entrusted domestically with prominent public functions whether in Singapore or;~~

~~“family member” means a natural person who is related to a politically exposed person directly or is married to the politically exposed person;~~

~~“foreign politically exposed person” means a natural person who is or has been entrusted with prominent public functions by a foreign country;~~

[FAA-N06 (Amendment) 2009]

~~(b) immediate family members of such a person; or~~

~~(c) close associates of such a person.~~

~~“international organisation” means an entity established by formal political agreements between member countries that have the status of international treaties, whose existence is recognised by law in member countries and who is not treated as a resident institutional unit of the countries in which it is located;~~

“international organisation politically exposed person” means a natural person who is or has been entrusted with prominent public function by an international organisation;

“politically exposed person” means a domestic politically exposed person, foreign politically exposed person or international organisation politically exposed person; and

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

6.28.2 A financial adviser shall, in addition to performing ~~the~~ CDD measures specified in paragraph ~~46~~, perform enhanced CDD measures in relation to politically exposed persons, legal persons or legal arrangements owned or controlled by politically exposed persons, including but not limited to the following:

- (a) implement appropriate internal risk management systems, policies, procedures and controls to determine if a customer, any natural person appointed to act on behalf of a customer, any connected party of a customer or any beneficial owner of a customer is a politically exposed person;
- (b) obtain approval from the financial adviser’s senior management to establish or continue business relations with a customer where the customer, any natural person appointed to act on behalf of a customer, any connected party of a customer or any beneficial owner of a customer 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 any beneficial owner of a customer; and
- (d) conduct, during the course of business relations with, or when undertaking transactions for a customer, enhanced monitoring of the business relations with the customer.

8.3 The financial adviser shall ensure that the enhanced CDD requirements for a politically exposed person in paragraph 8.2 shall also apply to family members and close associates of such a politically exposed persons.

8.4 A financial adviser may adopt a risk-based approach in determining whether to perform enhanced CDD or the extent of enhanced CDD to be performed for —

(a) domestic politically exposed persons, their family members and close associates;

(b) international organisation politically exposed persons, their family members and

close associates; or

(c) politically exposed persons who have stepped down from their prominent public functions, taking into consideration the level of influence such persons may continue to exercise after stepping down from their prominent public functions, their family members and close associates,

except in cases where their business relations or transactions with the financial adviser present a higher risk for money laundering or terrorism financing.

### **Other High Risk Categories**

6.38.5 A financial adviser shall perform the appropriate enhanced CDD measures in paragraph 68.2 for such other categories of customers, business relations or transactions as the financial adviser may assess or is notified by the Authority or other relevant authorities in Singapore, to present a higher risk for money laundering and ~~terrorist~~terrorism financing.— In particular, the financial adviser shall increase the degree and nature of monitoring of the business relations with and transactions for the customer, in order to determine whether they appear unusual or suspicious.

8.6 A financial adviser shall give particular attention to business relations with and transactions ~~with~~for any ~~person~~customer and any beneficial owner of a customer from or in countries and jurisdictions —

(a) identified by the FATF as higher risk countries or jurisdictions; or

6.4(b) 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—

and shall perform enhanced CDD measures that are commensurate with the risks identified for the business relations and transactions.

8.7 A financial adviser shall, in taking enhanced CDD measures to manage and mitigate any higher risks that have been identified by the financial adviser or notified to it by the Authority or other relevant authorities in Singapore, ensure that the enhanced CDD measures take into account the requirements of any laws, regulations or directions administered by the Authority, including but not limited to the regulations or directions issued by the Authority under section 27A of the Monetary Authority of Singapore Act (Cap. 186).

### **79 PERFORMANCE OF CDD MEASURES BY INTERMEDIARIES THIRD PARTIES**

9.1 For the purposes of paragraph 9, “third party” means —

- (a) a financial institution set out in Appendix 2;
- (b) a financial institution which is subject to and supervised by a foreign authority for compliance with AML/CFT requirements consistent with standards set by the FATF (other than a holder of a money-changer's licence or a holder of a remittance licence, or equivalent licences);
- (c) in relation to a financial adviser incorporated in Singapore, its branches, subsidiaries, parent corporation and other related corporations; or
- (d) in relation to a financial adviser incorporated outside Singapore, its parent corporation, the branches and subsidiaries of the parent corporation, and other related corporations.

7.19.2 Subject to paragraph 7.29.3, a financial adviser may rely on an intermediary ~~a third party~~ to perform the CDD measures in paragraph 46 of this Notice if the following requirements are met:

- (a) the financial adviser is satisfied that the intermediary ~~third party~~ 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 ~~financial adviser~~ takes appropriate steps to identify, assess and understand the money laundering and terrorism financing risks particular to the countries or jurisdictions that the third party operates in;
- ~~(b)~~(c) the third party is not one ~~on~~ which financial advisers have been specifically precluded by the Authority from relying upon; and
- ~~(c)~~(d) the intermediary ~~third party~~ is able and willing to provide, without delay, upon the financial adviser's request, any document obtained by the intermediary ~~third party~~ with respect to the CDD measures applied on the financial adviser's customer, which the financial adviser would be required or would want to obtain.

[FAA-N06 (Amendment) 2009]

7.29.3 No financial adviser shall rely on an intermediary ~~a third party~~ to conduct ongoing monitoring of business relations with customers.

7.39.4 Where a financial adviser relies on an intermediary ~~a third party~~ to perform the CDD measures, it shall: —

- (a) document the basis for its satisfaction that the requirements in paragraph 7.19.2(a) and (b) have been met, except where the intermediary ~~third party~~ 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 set out in Appendix 2; and~~

[FAA-N06 (Amendment) 2009]

- (b) immediately obtain from the ~~intermediary~~third party the CDD information which the ~~intermediary~~third party had obtained.

[FAA-N06 (Amendment) 2009]

~~7.49.5~~ For the avoidance of doubt, notwithstanding the reliance upon ~~an intermediary~~a third party, the financial adviser shall remain responsible for its AML/CFT obligations in this Notice.

## **810 RECORD KEEPING**

~~8.110.1~~ A financial adviser shall prepare, maintain and retain documentation on all its business relations with and transactions ~~with~~for its customers such that —

- (a) all requirements imposed by law (including this Notice) are met;
- (b) any individual transaction undertaken by the financial adviser can be reconstructed (including the amounts and types of currency involved) so as to provide, if necessary, evidence for prosecution of criminal activity;
- (c) the Authority or other relevant ~~competent~~ authorities in Singapore and the internal and external auditors of the financial adviser are able to assess~~review~~ the financial adviser's business relations, transactions, records and CDD information and assess the 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 or by the requesting authority, any enquiry or order from the relevant ~~competent~~ authorities in Singapore for information.

~~8.210.2~~ Subject to paragraph 810.4 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~~CDD information, (including the results of screening and the financial adviser's assessment of the results), and other documents relating to the establishment of business relations and transactions, as well as account files ~~and~~, business correspondence and results of any analysis undertaken, a

period of at least 5 years following the termination of such business relations;  
and

~~a period of at least 5 years following the completion of the transaction~~

- (b) for records relating to a transaction, including any information needed to explain and reconstruct the transaction. ~~—, a period of at least 5 years following the completion of the transaction.~~

~~8.310.3~~ A financial adviser may retain documents, data and information 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.

~~8.410.4~~ A financial adviser shall retain records of documentation, data and information on all its business relations with or transactions for a customer 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 in Singapore.

## 11 PERSONAL DATA

11.1 For the purposes of paragraph 11, “individual” means a natural person, whether living or deceased.

11.2 Subject to paragraph 11.3 and for the purposes of complying with this Notice, a financial adviser 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 financial adviser;
- (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 financial adviser; 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 financial adviser.

11.3 A financial adviser 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 financial adviser:
- (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 2012 (Act 26 of 2012), any other personal data of the respective individual provided by that individual to the financial adviser; 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 financial adviser is satisfied that there are reasonable grounds for such request.

11.4 For the purposes of complying with this Notice, a financial adviser 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.

## **912 SUSPICIOUS TRANSACTIONS REPORTING**

9.112.1A financial adviser shall keep in mind the provisions in the Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act<sup>34</sup> (Cap. 65A) 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~~terrorism 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 employees

<sup>3</sup> Please note in particular section 48 of the Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act on tipping-off.

<sup>4</sup> Please note in particular section 48 of the Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act on tipping-off.

are instructed to promptly refer all transactions suspected of being connected with money-laundering or ~~terrorist~~terrorism 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.

[FAA-N06 (Amendment) 2013]

~~9.2~~12.2 A financial adviser shall promptly submit reports on suspicious transactions (including attempted transactions), regardless of the amount of the transaction, to STRO, and extend a copy to the Authority for information.

~~9.3~~12.3 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.

## ~~40~~13 INTERNAL POLICIES, COMPLIANCE, AUDIT AND TRAINING

~~40.4~~13.1 A financial adviser shall develop and implement adequate internal policies, procedures and controls, taking into consideration its money laundering and terrorism financing risks and the size of its business, to help prevent money laundering and ~~terrorist~~terrorism financing and communicate these to its employees.

~~40.2~~13.2 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~~STRs.

~~40.3~~—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

~~13.3~~ AFor the purposes of paragraphs 13.4 to 13.9, a reference to financial adviser ~~that is~~shall mean a financial adviser incorporated in Singapore.

~~40.4~~13.4 A financial adviser shall develop a group policy on AML/CFT to meet all

requirements of this Notice and extend this to all of its branches and subsidiaries in its financial group, including those outside Singapore.

13.5 Where a financial adviser has a branch or subsidiary in a host country or jurisdiction —

(a) identified by the FATF as a higher risk country or jurisdiction; or

(b) 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 any other foreign regulatory authorities), authority,

40.5 the financial adviser shall ensure that its group policy on AML/CFT is strictly observed by the management of that branch or subsidiary.

13.6 Subject to the financial adviser putting in place adequate safeguards to protect the confidentiality and use of any information that is shared, as may be required by the law of the country or jurisdiction, the financial adviser shall develop and implement group policies and procedures for its branches and subsidiaries within the financial group to share information required for the purposes of CDD, and for money laundering and terrorism financing risk management.

13.7 Such policies and procedures shall include the provision, at the financial adviser's group-level compliance, audit, and AML/CFT functions, of customer, account, and transaction information from its branches and subsidiaries within the financial group, when necessary for money laundering and terrorism financing risk management purposes.

40.613.8 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.

40.713.9 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 apply additional appropriate measures to manage the money laundering and terrorism financing risks, report this to the Authority and comply with such further directions as may be given by the Authority.

## Compliance

40.813.10 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.

40.913.11 A financial adviser shall ensure that the AML/CFT compliance officer, as well as any other persons appointed to assist him, has adequate resources and timely access

to all customer records and other relevant information which they require to discharge their functions.

## Audit

~~40.10~~13.12 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 and Representative Hiring

~~40.11~~13.13 A financial adviser shall have in place screening procedures to ensure high standards when hiring employees-, appointing officers<sup>5</sup> and representatives.

## Training

~~40.12~~13.14 A financial adviser shall take all appropriate steps to ensure that its employees and, officers<sup>6</sup> and representatives (whether in Singapore or overseaselsewhere) are suitably qualified, and regularly and appropriately 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 terroristterrorism financing; and
- (c) the financial adviser's internal policies, procedures and controls on AML/CFT and the roles and responsibilities of employees and, officers and representatives in combating money laundering and terroristterrorism financing.

[FAA-N06 (Amendment) 2013]

### <sup>5</sup> "Officer" —

- (a) in relation to a licensee that is a legal person (other than a partnership), means any director or any member of the committee of management of the legal person;
- (b) in relation to a licensee that is a partnership, means any partner or manager; and
- (c) in relation to a licensee that is a legal arrangement, means any member of the committee of management of the legal arrangement, where applicable.

### <sup>6</sup> "Officer"—

- (a) ~~in relation to a financial adviser 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 financial adviser 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 financial adviser 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 financial adviser 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 financial adviser;~~
- ~~(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 financial adviser; and~~
- ~~(c) any right to correct an error or omission of the personal data about the individual that is in the possession or under the control of the financial adviser.~~

~~11.3 A financial adviser 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 financial adviser:~~

- ~~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 financial adviser; 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 financial adviser is satisfied that there are reasonable grounds for such request.~~

~~11.4 For the purposes of complying with this Notice, a financial adviser 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.~~

~~[FAA-N06 (Amendment) 2014]~~

## Endnotes on History of Amendments

- ~~1. MAS Notice FAA-N06 dated 2 July 2007 with effect from 2 July 2007.
  - ~~1. (a) MAS Notice FAA-N06 (Amendment) 2009 dated with effect from 3 July 2009.~~
  - ~~2. (b) MAS Notice FAA-N06 (Amendment) 2009 dated with effect from 2 December 2009.~~
  - ~~3. (c) MAS Notice FAA-N06 (Amendment) 2013 dated with effect from 23 January 2013.~~
  - ~~(d) MAS Notice FAA-N06-(Amendment) 2014 dated with effect from 1 July 2014.~~~~
- ~~2. MAS Notice FAA-N06 dated 2 July 2007 cancelled with effect from (xxxx).~~
- ~~3. MAS Notice FAA-N06 dated (xxxx) with effect from (xxxx).~~



## Appendix 1 —

1. Financial institutions that are licensed, approved, registered (including a fund management company registered under paragraph 5(1)(i) of the Second Schedule to the Securities and Futures (Licensing and Conduct of Business) Regulations (Rg. 10)) or regulated by the Authority but do not include —
  - (a) holders of stored value facilities, as defined in section 2(1) of the Payment Systems (Oversight) Act (Cap. 222A); and
  - (b) a person (other than a person referred to in paragraphs 2 and 3) who is exempted from licensing, approval or regulation by the Authority under any Act administered by the Authority, including a private trust company exempted from licensing under section 15 of the Trust Companies Act (Cap. 336) read with regulation 4 of the Trust Companies (Exemption) Regulations (Rg. 1);
2. Persons exempted under section 23(1)(f) of the Financial Advisers Act (Cap. 110) read with regulation 27(1)(d) of the Financial Advisers Regulations (Rg. 2); and
3. Persons exempted under section 99(1)(h) of the Securities and Futures Act (Cap. 289) read with paragraph 7(1)(b) of the Second Schedule to the Securities and Futures (Licensing and Conduct of Business) Regulations.

## Appendix 2 —

1. Banks in Singapore licensed under section 7 of the Banking Act (Cap.19);
2. Merchant banks approved under section 28 of the Monetary Authority of Singapore Act (Cap. 186);
3. Finance companies licensed under section 6 of the Finance Companies Act (Cap. 108);
4. Financial advisers licensed under section 6 of the Financial Advisers Act (Cap. 110) 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;
5. Holders of a capital markets services licence under section 82 of the Securities and Futures Act (Cap. 289);
6. Fund management companies registered under paragraph 5(1)(i) of the Second Schedule to the Securities and Futures (Licensing and Conduct of Business) Regulations (Rg. 10);
7. Persons exempted under section 23(1)(f) of the Financial Advisers Act read with regulation 27(1)(d) of the Financial Advisers Regulations (Rg. 2) 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;
8. Persons exempted under section 99(1)(h) of the Securities and Futures Act read with paragraph 7(1)(b) of the Second Schedule to the Securities and Futures (Licensing and Conduct of Business) Regulations;
9. Approved trustees approved under section 289 of the Securities and Futures Act;
10. Trust companies licensed under section 5 of the Trust Companies Act (Cap. 336);
11. Direct life insurers licensed under section 8 of the Insurance Act (Cap. 142); and
- 4.12. Insurance brokers registered under the Insurance Act which, by virtue of such registration, are exempted under section 23(1)(c) of the Financial Advisers Act 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.