



**RESPONSE TO FEEDBACK RECEIVED –  
CONSULTATION ON PROPOSED AMENDMENTS TO THE MONETARY  
AUTHORITY OF SINGAPORE NOTICES TO FINANCIAL INSTITUTIONS ON  
PREVENTION OF MONEY LAUNDERING AND COUNTERING THE  
FINANCING OF TERRORISM**

**ANNEX D - MAS NOTICE SFA04-N02**

**1 Paragraph 2.1: Business Relations and Relationship Management**

1.1 Respondents understood that MAS expected CMIs to apply Customer Due Diligence (“CDD”) on accounts managed from Singapore, regardless of where they were booked. However, they highlighted that the expanded definitions of “business relations” and “relationship management” in paragraph 2.1 of the draft MAS Notice SFA04-N02 (“the Notice”) to capture such situations were overly broad and could be construed to also include CMIs’ provision of a wide range of incidental services to overseas customers.

**MAS’ Response**

1.2 CMIs should assess if certain customer relationships are, in substance, mostly conducted and managed from Singapore. If so, the CMI should perform CDD on these customers regardless of the booking location. CMIs may rely on the overseas booking entity to perform CDD on these customers, if the booking entity is a regulated financial institution (“FI”) that is supervised according to Financial Action Task Force (“FATF”) standards. If there is any suspicion of money laundering (“ML”) or terrorism financing (“TF”) in the course of managing the relationship, CMIs shall submit a suspicious transaction report (“STR”).

1.3 Given that the industry has a good understanding of current

supervisory practices and expectations as earlier described, we have decided to retain the current approach of defining “relationship management” in the Guidelines to MAS Notice SFA04-N02 (“the Guidelines”) instead of the Notice. This will provide clarity on “relationship management”, and facilitate evolving arrangements without prescribing it in the rules. CMIs should check with MAS if they are unsure on the scope of the Notice, especially when introducing new activities.

## **2 Paragraph 2.1: Definition of Customer**

2.1 Respondents provided feedback that the amended definition of customer poses a challenge for CMIs that (i) use FIs as distributors to market the CMIs’ funds to the distributors’ customers, or (ii) are not the primary manager of funds, as the CMIs would not have any contact with the underlying investors of the products, including the funds.

### MAS’ Response

2.2 To address respondents’ feedback, MAS has revised paragraph 2.1 of the Notice to provide more clarity on the definition of customer in the fund management context. In addition, paragraph 2-3 of the Guidelines provides further clarity on whether CDD is required to be performed in various business models, such as the marketing of funds through distributors, and when the CMI is the sub-manager of a fund.

## **3 Paragraph 2.1: Definition of Legal Persons**

3.1 A few respondents asked for further guidance and examples in relation to the definition of “legal persons”.

### MAS’ Response

3.2 Examples in relation to the definition of “legal person” in the Notice have been provided in paragraph 2-6 of the Guidelines.

#### **4 Paragraph 4.1: Enterprise-wide Risk Assessment**

4.1 Several respondents asked if MAS would be prescribing the approach CMI's must adopt for the enterprise-wide risk assessment required under paragraph 4.1 of the Notice or if CMI's were allowed to design their own methodology. If a specific approach is required, the respondents requested sufficient time to be given for the modification of existing methodology and systems.

4.2 Some respondents asked for examples on the steps CMI's should take to identify, assess and understand their ML/TF risks, especially in relation to —

- a) countries or jurisdictions where the CMI has operations in; and
- b) products, services, transactions and delivery channels of the CMI.

#### MAS' Response

4.3 Given the different business structures and the range of activities performed by CMI's, it is not possible for MAS to prescribe a common approach for all CMI's. CMI's may develop their own enterprise-wide risk assessment approach and methodology to fit their structure and operations but should take into consideration the guidance provided by MAS in the Guidelines.

4.4 MAS has included under paragraph 4-6 of the Guidelines additional guidance on the broad ML/TF risk factors that CMI's should consider for the purposes of the enterprise-wide risk assessment. Examples of the factors that CMI's should consider when assessing ML/TF risks of their locations of operation include:

- a) any adverse news on a particular country or jurisdiction;
- b) the comprehensiveness of the country's or jurisdiction's anti-money laundering and countering the financing of terrorism ("AML/CFT") laws, regulations and standards; and

c) the assessment of the country's or jurisdiction's AML/CFT regime by an international body, such as the FATF.

4.5 Examples of the factors that CMIs should consider when assessing the ML/TF risks of the products, services, transactions and delivery channels of the CMI include:

a) the nature, scale, diversity and complexity of the CMI's business activities; and

b) the nature of products and services offered by the CMI.

## **5 Paragraph 4.1: Incorporation of Results of National Risk Assessment ("NRA") Report**

5.1 A few respondents asked for further guidance on how CMIs were expected to incorporate the results of the Singapore NRA report into their risk assessment process.

### MAS' Response

5.2 The Singapore NRA report is intended to help the private sector better understand the ML/TF risks in their own sectors, as well as other sectors that they have dealings with. This allows CMIs to better assess the adequacy of their AML/CFT controls, mitigate the risks identified and strengthen these controls where necessary. Relevant high risk financial and non-financial sectors identified in the NRA report should be factored into a CMI's enterprise-wide risk assessment. CMIs should pay additional attention to prevailing crime types as identified in the Singapore NRA report in setting their transaction monitoring program. Respondents can refer to paragraphs 4-11 and 4-12 of the Guidelines for further details.

## **6 Paragraph 4.1: Risk assessment and CDD on Affiliated Entities**

6.1 With reference to paragraph 4.1(c) of the Notice, some respondents asked whether the enterprise-wide risk assessment extended to a foreign CMI branch's head office and overseas branches.

### MAS' Response

6.2 CMIs incorporated in Singapore are required to perform an enterprise-wide risk assessment that includes the overseas branches and subsidiaries of the Singapore entity. For a foreign CMI that operates as a branch in Singapore, the enterprise-wide ML/TF risk assessment only needs to cover the Singapore branch's operations.

## **7 Paragraphs 4.2: Clarifications on Risk Assessments**

7.1 A few respondents asked what "appropriate mechanisms to provide its risk assessment information to the Authority" in paragraph 4.2(d) of the Notice would entail.

### MAS' Response

7.2 With regard to maintaining "appropriate mechanisms to provide its risk assessment information to the Authority", MAS expects CMIs to ensure that the enterprise-wide risk assessments are formally documented and approved by senior management. The relevant information and documentation should be made available to MAS upon request.

## **8 Paragraph 4.3: Senior Management**

8.1 Respondents asked for clarification on the term "senior management" in paragraph 4.3(a) of the Notice.

### MAS' Response

8.2 The term "senior management" refers to key executives based in Singapore, and includes the chief executive officer.

## **9 Paragraph 5.1: New Products, Practices and Technologies**

9.1 One respondent asked for further guidance on the risk assessment that CMI's are expected to perform in respect of new products, practices and technologies.

### MAS' Response

9.2 The intent of paragraph 5.1 of the Notice is to ensure that a CMI, as part of its new business/product approval process, includes a ML/TF risk assessment in addition to the CMI's assessment of other risks such as credit, market or operational risks. CMI's should refer to Paragraph 5 of the Guidelines for further guidance.

## **10 Paragraph 6.3: CDD Requirements for Corporate Finance Advisory ("CF") Firms**

10.1 One respondent asked whether a CF firm that conducts placement of securities to potential investors on behalf of an entity which the CF firm advises (e.g. in respect of fund raising or an offer of securities), is required to perform CDD on the potential investors which the CF firm has no contractual relationship with.

### MAS' Response

10.2 Where the CF firm is involved in the placement of securities to potential investors, it will require a Capital Markets Services licence to deal in securities. As the potential investors are persons for whom the CMI undertakes or intends to undertake a transaction in respect of the corporate finance transaction, they shall be considered customers of the CF firm under the Notice. Accordingly, the CF firm is required to perform CDD on such potential investors.

10.3 Where the CF firm solely introduces potential investors to the entity which the CF firm advises (e.g. in respect of fund raising or an offer of securities) without undertaking transactions on behalf of the potential investors in respect of the corporate finance transaction, the CF firm

need not perform CDD on the potential investors. However, as any adverse information in respect of the potential investors, such as criminal records and linkages to terrorists or sanctioned persons, would have a negative impact on the CMI, the CMI shall take appropriate measures to mitigate the risks when dealing with such persons.

## **11 Paragraph 6.6: Principal Place of Business**

11.1 One respondent asked for greater clarity on the term “principal place of business” in paragraph 6.6(c) of the Notice and enquired how this was different from the customers’ “registered or business address”.

### MAS’ Response

11.2 The “principal place of business” is where the main operating office or “mind and management” (i.e. senior management) of the customer resides. A registered or business address could be just an address to receive mails. CMIs should obtain all relevant addresses of customers for ease of communication with their customers.

11.3 As part of CDD, CMIs are already expected to obtain the registered or business address. CMIs are also required to obtain the principal place of business where it is different from the registered or business address.

## **12 Paragraphs 6.7 and 6.9: Powers of Legal Person / Arrangement**

12.1 Some respondents asked for greater clarity on the term “powers of legal person or legal arrangement” in paragraphs 6.7 and 6.9 of the Notice.

12.2 A few respondents also asked what was considered “reliable independent source data, documents or information” required to verify the legal form, proof of existence, constitution and powers of the legal person or legal arrangement. In particular, the respondents asked whether copies of declarations of trust, memorandum and articles of

association (or equivalent) were acceptable to meet the requirements of the Notice.

#### MAS' Response

12.3 To provide greater clarity, MAS has amended the term in paragraphs 6.7 and 6.9 of the Notice to “powers that regulate and bind the legal person or legal arrangement”.

12.4 CMIs can use declarations of trust, memorandum and articles of association, and board resolutions to verify the legal form, constitution and powers that regulate and bind a legal person or legal arrangement. More examples of acceptable documents that can be used to verify legal persons or legal arrangements are also included in paragraph 6-6-2 of the Guidelines. For example, it is acceptable to use a certificate of incorporation or certificate of incumbency and share register to verify the name, legal form and proof of existence of a customer.

### **13 Paragraph 6.8: Connected Parties and Persons having Executive Authority**

13.1 With regard to paragraph 6.8 of the Notice, many respondents asked for greater clarity on the term “natural persons having executive authority” used in the definition of “connected party”. Respondents also asked about MAS’ expectations in terms of identification of connected parties of customers.

13.2 One respondent suggested that CMIs, when dealing with companies, should be permitted to record the names of all directors from the company’s corporate documents and obtain other identification information on a risk-based approach.

#### MAS' Response

13.3 To provide greater clarity, more examples of who constitutes “natural persons with executive authority in a company” are included in paragraph 2-2 of the Guidelines and they include, but are not limited to,



the Chairman and Chief Executive Officer.

13.4 As part of CDD and enhanced CDD, CMIs are required to identify all the connected parties of a customer and screen them against relevant ML and TF information sources as per paragraph 6.39 of the Notice. However, CMIs may verify their identities using a risk-based approach. Identification of connected parties may be done using publicly available sources or databases such as company registries, annual reports or based on substantiated information provided by the customers. When simplified CDD is appropriate, CMIs may adopt a risk-based approach in assessing the measures necessary for connected parties of customers. Respondents can refer to paragraphs 6-5-1 and 7-3 of the Guidelines for more details.

#### **14 Paragraph 6.14: Beneficial Ownership and Percentage Threshold**

14.1 A few respondents asked if MAS will adopt FATF's approach of including the 25% threshold as an example of a benchmark that CMIs can use for the purposes of determining beneficial owners of customers.

##### MAS' Response

14.2 MAS has accepted this suggestion. We have included in paragraph 6-8-2 of the Guidelines, the 25% threshold as an example of a benchmark that CMIs can use to identify the natural person who ultimately owns the customer that is a legal person or legal arrangement. Essentially, when determining beneficial owners, MAS expects CMIs to consider the shareholdings within the ownership structure of the legal person or legal arrangement and this may be based on a threshold (e.g. any person owning more than 25% of the legal person or legal arrangement, taking into account aggregated ownerships for companies with cross-shareholdings).

14.3 Additionally, paragraph 6-8-3 of the Guidelines reminds CMIs that in situations where a natural person may not meet the shareholding threshold referred to above but nevertheless controls the customer (e.g.

through exercising significant influence), the natural person is a beneficial owner of the customer.

## **15 Paragraph 6.16: Identification of Beneficial Owners**

15.1 A few respondents asked whether CMIs were still required to establish the existence of beneficial owners of a customer, where the customer was a government-owned entity.

### MAS' Response

15.2 CMIs are not required to establish the existence of the beneficial owner of a customer that is a government-owned entity, whether local or foreign, unless the CMI 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 ML/TF activities.

15.3 Similarly, CMIs are not required to establish the existence of the beneficial owner of a customer that is wholly-owned or majority-owned by the Singapore Government or a foreign government. However, if there are other non-governmental beneficial owners who own more than 25% of the customer or who otherwise control the customer, CMIs are required to identify and verify the identities of these beneficial owners. This is reflected in paragraphs 6-8-10 and 6-8-11 of the Guidelines.

## **16 Paragraph 6.16: Stock Exchanges and Adequate Transparency**

16.1 Some respondents asked about the term "adequate transparency" used in paragraph 6.16(d)(ii)<sup>1</sup> of the Notice and whether MAS expected CMIs to assess the rules of disclosure of stock exchanges for the purposes of complying with the Notice.

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<sup>1</sup> This paragraph was referenced as 6.21(d)(ii) in the draft Notice SFA04-N02 sent out during the public consultation.

### MAS' Response

16.2 MAS would not be prescribing a list of acceptable foreign stock exchanges given the non-static nature of transparency rules of stock exchanges in other countries or jurisdictions.

16.3 CMIs are required to put in place an internal assessment process to assess and determine if a foreign stock exchange is subject to regulatory disclosure and adequate transparency requirements. The internal assessment process should have clear criteria, taking into account, amongst others, the country or jurisdiction risk and the level of the country's or jurisdiction's compliance with the FATF standards. This is reflected in paragraph 6-8-8 of the Guidelines.

## **17 Paragraph 6.24: Frequency of Updates to CDD Information**

17.1 Some respondents asked how frequently CMIs needed to update CDD information, especially for identification documents without expiry dates. They also asked whether CMIs could adopt a risk-based approach on keeping such CDD information up-to-date.

### MAS' Response

17.2 For higher risk customers, a CMI should obtain updated CDD information (including updated copies of the customer's passport or identity documents if these are expired) as part of its periodic CDD review, or upon the occurrence of a trigger event, whichever is earlier. For all other customers, a CMI should obtain updated CDD information upon the occurrence of a trigger event. For identification documents with no expiry date, such as a Singapore identity card, there is no requirement to obtain further updates from the customer. This is reflected in paragraphs 6-10-4 and 6-10-5 of the Guidelines.

## **18 Paragraph 6.25: Retaining Customers Where There are Reasonable Grounds for Suspicion**

18.1 A few respondents asked for further guidance on the mitigating measures CMI's could adopt if they decided to retain a customer even after an STR had been filed.

### MAS' Response

18.2 In addition to reporting the suspicious transaction or activity, CMI's should ensure that appropriate action is taken to adequately mitigate the risk of the CMI being used for ML/TF activities. This must include enhanced ongoing monitoring. The CMI may also strengthen its AML/CFT processes or conduct a review of the risk classification of the customer or its business relations with the customer. This is reflected in paragraph 13-4 of the Guidelines.

## **19 Paragraph 6.39: Customer Screening and Parties to Screen**

19.1 Several respondents asked about the parties that CMI's were required to screen. Some respondents also asked for greater clarity on the ML/TF information sources that CMI's should use for screening purposes.

### MAS' Response

19.2 CMI's are required to screen the following parties: customers, natural persons appointed to act on behalf of customers, connected parties of customers and beneficial owners of customers. CMI's should ensure that the necessary CDD information on these parties is captured in its customer information database for periodic name screening against the various ML/TF information sources and databases. This is to enable CMI's to promptly detect if any of the above parties should subsequently become a sanctioned or a high risk person.

19.3 Some examples of the ML/TF information sources CMI's should use for screening include –

- a) commercial ML/TF databases used to identify adverse information on individuals and entities;
- b) information sources from the CMI's head office or parent supervisory authorities which identify individuals and entities; and
- c) lists of individuals and entities covered under the MAS Regulations<sup>2</sup> in relation to United Nations Security Council ("UNSC") sanctions or the freezing of assets of persons.

19.4 MAS has provided more guidance on the topic of screening in paragraph 6-15 of the Guidelines.

## **20 Paragraph 6.39: Lists and Information Provided by the Authorities**

20.1 With reference to paragraph 6.39<sup>3</sup> of the Notice, respondents asked for greater clarity on what the "lists and information" provided by the authorities referred to and whether CMIs were expected to include parties identified in ad-hoc requests and sweeps from MAS into their negative database for permanent ongoing screening purposes.

### MAS' Response

20.2 Examples of such "lists and information" provided by the authorities include the Terrorism (Suppression of Financing) Act (TSOFA), MAS Regulations issued under section 27A of the Monetary Authority of Singapore Act (Cap. 186) and MAS Notice on Prohibition on Transactions with the Iranian Government and with Iranian Financial Institutions (MA-N-EXT 1/2012).

20.3 In relation to ad-hoc requests and sweeps from MAS, these names shall be screened upon request. Where MAS expects CMIs to perform ongoing screening against a list of names, this expectation will be clearly

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<sup>2</sup> These MAS Regulations are issued under Section 27A of the MAS Act.

<sup>3</sup> This paragraph was referenced as 6.44 in the draft Notice SFA04-N02 sent out during the public consultation.

spelt out in our communication to CMIs. MAS has provided more guidance on the topic of screening in paragraph 6-15 of the Guidelines.

## **21 Paragraph 6.40: Periodic Screening and Frequency of Screening**

21.1 With reference to paragraph 6.40<sup>4</sup>(c) of the Notice on periodic screening, some respondents asked what screening on a “periodic basis” entailed and whether MAS would allow a risk-based approach to determine the frequency of screening.

### MAS’ Response

21.2 CMIs are required to put in place policies, procedures and controls that clearly set out the frequency of periodic screening. This is reflected in paragraph 6-15-3 of the Guidelines.

21.3 CMIs should ensure that the necessary CDD information on the customers and its relevant parties<sup>5</sup> are captured in its customer database used for periodic screening of its customers and their relevant parties against various ML/TF information sources and databases. This is to enable CMIs to promptly detect if any of these persons or entities subsequently presents higher ML/TF risks. This is reflected in paragraph 6-15-6 of the Guidelines.

21.4 CMIs may adopt a risk-based approach to determine the frequency of screening. However, CMIs shall minimally screen all its customers and their relevant parties against lists of sanctioned individuals and entities whenever those lists are updated as per paragraph 6.40(c) of the Notice.

21.5 In performing periodic screening, CMIs should pay particular attention to changes in the customer’s status or risks<sup>6</sup> and assess whether to subject the customer to appropriate ML/TF risk mitigation

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<sup>4</sup> This paragraph was referenced as 6.45 in the draft Notice SFA04-N02 sent out during the public consultation.

<sup>5</sup> The relevant parties that CMIs should screen are outlined in paragraph 19 of this response document above.

<sup>6</sup> For example, a customer or any of its relevant parties could become subject to international / unilateral sanctions or could become a Politically Exposed Person. This will significantly alter the ML/TF risks of the customer on an overall basis.

measures, such as enhanced CDD measures. This is reflected in paragraph 6-15-6 of the Guidelines.

## **22 Paragraph 7.1: Minimum Standards for Simplified CDD Measures**

22.1 A respondent asked about the minimum standards expected for simplified CDD measures and in particular, whether beneficial owners of customers that qualified for simplified CDD would still need to be screened.

### MAS' Response

22.2 Paragraph 7.1 of the Notice permits CMIs to apply simplified CDD measures if CMIs are satisfied that the ML/TF risks posed by the customer are low. CMIs must still be able to effectively identify and verify the identity of a customer, any natural person appointed to act on behalf of the customer and any beneficial owner of the customer, as the case may be. For customers that fall under paragraph 6.16 of the Notice<sup>7</sup>, CMIs are not required to establish the existence of any beneficial owner of the customers and as such, screening on any beneficial owner is not required. For all other beneficial owners of customers who are identified, CMIs are required to screen them in accordance with paragraphs 6.39 to 6.41 of the Notice.

## **23 Paragraph 8.1: Definition of Politically Exposed Persons (“PEP”)**

23.1 One respondent asked what constitutes “senior” in relation to “prominent public functions”, such as in the context of civil and public servants.

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<sup>7</sup> Paragraph 6.16 of the Notice includes categories of customers which (i) are subject to MAS' beneficial ownership checks, or (ii) are of lower ML/TF risks. Examples of these categories include government entities, entities listed on the Singapore stock exchange and financial institutions that are licensed, approved, registered or regulated by MAS as set out in Appendix 1 of the Notice.

### MAS' Response

23.2 CMIs should refer to paragraph 8-4 of the Guidelines, which sets out additional guidance on the definition of PEPs. The definition of PEPs is not intended to cover middle-ranking or more junior individuals in the categories listed. In the context of Singapore, domestic PEPs would minimally include all Government Ministers, Members of Parliament, Nominated Members of Parliament and Non-Constituency Members of Parliament.

## **24 Paragraph 8.1: Family Member and Close Associate of PEPs**

24.1 Many respondents asked for additional guidance on the definitions of “family member” and “close associates” of PEPs. Specifically, respondents asked for additional guidance on how far the proposed definition of “family member” would be extended. In relation to the definition of “close associate”, respondents asked how CMIs were expected to determine if someone is closely connected to a PEP, either “socially” or “professionally”.

### MAS' Response

24.2 We have revised the “family member” definition in the Notice to specifically refer to a parent, step-parent, child, step-child, adopted child, spouse, sibling, step-sibling and adopted sibling of a PEP.

24.3 To determine whether someone is closely connected to a PEP, either socially or professionally, CMIs may consider the level of influence the PEP has on such a person or the extent of his exposure to the PEP. CMIs may rely on information available from public sources and information obtained through customer interaction. This is reflected in paragraph 8-4-3 of the Guidelines.

## **25 Paragraph 8.3: Politically Exposed Corporations**

25.1 Some respondents asked for greater clarity on the term “legal persons or legal arrangements owned or controlled by PEPs” used in



paragraph 8.3<sup>8</sup> of the Notice. Respondents also sought clarification on whether connected parties are also considered to be “controlling” legal persons / legal arrangements.

#### MAS’ Response

25.2 Paragraph 8.3 of the Notice has been amended to state that CMIs are required to perform enhanced CDD measures where a customer or any beneficial owner of the customer is a PEP, or a family member or close associate of a PEP. CMIs can refer to paragraph 14 of this response document for MAS’ expectations in relation to beneficial ownership and percentage threshold.

25.3 When CMIs determine that a PEP has been appointed to act on behalf of or is a connected party of a customer, CMIs should consider factors such as whether the PEP is able to exercise substantial influence over the customer, to determine the overall level of ML/TF risks presented by the customer. This is reflected in paragraph 8-5-1 of the Guidelines.

## **26 Paragraph 8.4: PEPs who have stepped down**

26.1 With regard to paragraph 8.4(c) of the Notice on PEPs who have stepped down, a few respondents asked about the factors that CMIs were required to consider in implementing a risk-based approach for this category of PEPs.

#### MAS’ Response

26.2 A key factor that CMIs should take into consideration when determining the level of influence an ex-PEP continues to exercise is the time elapsed since the PEP stepped down from a prominent public function. However, this should not be the sole determining factor. Other possible risk factors that CMIs can consider are:

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<sup>8</sup> This paragraph was referenced as 8.2 in the draft Notice SFA04-N02 sent out during the public consultation.

- a) the seniority of the position that the individual previously held when he was a PEP; and
- b) whether the individual's previous PEP position and current function are linked in any way (e.g. whether the ex-PEP was appointed to his current position or function by his successor, or whether the ex-PEP continues to substantively exercise the same powers in his current position or function).

These considerations are reflected in paragraph 8-5-11 of the Guidelines.

## **27 Paragraph 8.5: Other Higher Risk Categories**

27.1 Questions were posed about customers from countries or jurisdictions that have been identified by FATF as being of higher risk or are known to have inadequate AML/CFT measures. In respect of paragraphs 8.5 to 8.8<sup>9</sup> of the Notice, several respondents asked if CMIs were allowed to use a risk-based approach to determine if enhanced CDD measures were needed for such customers.

### MAS' Response

27.2 For customers or their beneficial owners from or in countries or jurisdictions against which FATF has called for countermeasures, CMIs are required to treat any business relations or transactions with them as presenting higher ML/TF risks and perform the appropriate enhanced CDD measures. We have amended paragraphs 8.5 to 8.8 of the Notice to reflect this expectation.

27.3 With regard to customers or their beneficial owners from or in countries or jurisdictions known to have inadequate AML/CFT measures, CMIs are required to assess whether each of them presents higher ML/TF

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<sup>9</sup> These paragraphs were referenced as 8.5 to 8.7 in the draft Notice SFA04-N02 sent out during the public consultation.

risks, thus warranting enhanced CDD measures. This is reflected in paragraph 8-6-2 of the Guidelines.

## **28 Paragraph 8.6: Clarification on FATF High Risk Countries or Jurisdictions**

28.1 With regard to the countries or jurisdictions that have been identified by FATF as higher-risk countries or jurisdictions in paragraph 8.6(a) of the Notice, respondents asked what this list of countries or jurisdictions referred to.

### MAS' Response

28.2 This list refers specifically to the list of countries or jurisdictions in the FATF Public Statement on High Risk and Non-Cooperative Jurisdictions on which FATF has called for counter-measures<sup>10</sup>. FATF updates this Public Statement on a periodic basis and CMI's should regularly refer to the FATF website for the latest updates<sup>11</sup>. We have amended paragraph 8.6(a) of the Notice to specifically refer to "a country or jurisdiction in relation to which the FATF has called for countermeasures" and reflected the above in paragraph 8-6-3 of the Guidelines.

28.3 For paragraph 8.6(b) on the countries or jurisdictions known to have inadequate AML/CFT measures, this includes any other countries or jurisdictions that lack the necessary AML/CFT measures as determined by CMI's. We have included further guidance on the factors that CMI's can consider when assessing ML/TF risks of countries or jurisdictions in paragraph 4-6(b)(ii) of the Guidelines.

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<sup>10</sup> As at the time of the publication of this response, the two countries on this list are the Democratic People's Republic of Korea and Iran.

<sup>11</sup> The link to the FATF website is as follows: <http://www.fatf-gafi.org/topics/high-riskandnon-cooperativejurisdictions/>

## **29 Paragraph 9: Reliance on Third Parties and Outsourcing**

29.1 Some respondents asked whether the requirements under paragraph 9 of the Notice would prevent them from outsourcing CDD measures.

### MAS' Response

29.2 The Notice does not prohibit CMIs from outsourcing the performance of CDD, for instance, to fund administrators. Further guidance on the distinction between reliance on third parties to perform CDD and outsourcing the performance of CDD is provided in paragraph 9 of the Guidelines.

## **30 Paragraph 10: Correspondent and Payable-through Accounts**

30.1 Some respondents asked for further guidance on or examples of correspondent account services in the securities industry.

30.2 With reference to paragraph 10.4 of the Notice, the respondents asked whether “Payable-through Account” refers to (i) a trading account of a foreign FI who deals for itself or for its clients, or (ii) a trading account of a foreign FI who deals for itself or for its clients which is operated by a third-party.

### MAS' Response

30.3 An example of a correspondent account service is where a securities firm outside Singapore opens a securities trading account with a CMI in Singapore, to trade on its own behalf or for its customers.

30.4 “Payable-through” account in the context of securities trading refers to a correspondent trading account of a respondent FI that can be directly accessed by a third party, such as the customer of the respondent FI. This is explained in paragraph 10.4(a) of the Notice, which requires the respondent FI to perform the appropriate measures on the third party having direct access to the payable-through account.

## **31 Paragraph 14.6: Sharing of Information within the Financial Group**

31.1 Respondents requested more guidance on the types of information that should be shared within the financial group.

### MAS' Response

31.2 The types of information that should be shared within the financial group include:

- a) positive name matches arising from screening performed against ML/TF information sources; or
- b) a list of customers who have been exited by the CMI, its branches and subsidiaries based on suspicion of ML/TF and names of parties on whom STRs have been filed.

31.3 Such information should be shared by a branch or subsidiary of a CMI incorporated in Singapore with its group-level compliance, audit, and AML/CFT functions (whether in or outside Singapore) for ML/TF risk management purposes.

## **32 Lead Time for Implementation**

32.1 Several respondents requested that MAS give adequate lead time for CMIs to implement the requirements of the revised Notice. They also requested guidance on how to prioritise their remediation efforts in relation to existing customers.

### MAS' Response

32.2 Most of the revisions to the Notice formalise existing MAS supervisory expectations. In response to the industry feedback, we will provide a transition period for CMIs to make changes to their processes and systems. The Notice shall take effect from 24 May 2015 to give CMIs one month from the issuance date to comply with the requirements

under the new Notice.

32.3 In addition, we are providing three months for CMIs to comply with four specific requirements in the Notice. These are:

- Paragraph 4: Assessing Risks and Applying a Risk-based Approach;
- Paragraph 5: New Products, Practices and Technologies;
- Paragraph 10: Correspondent Accounts; and
- Paragraphs 14.6 and 14.7: Group Information Sharing Requirements.

The above requirements will take effect from 24 July 2015. The relevant effective dates are listed in paragraph 1.2 of the Notice.

32.4 With regard to remediation, CMIs should prioritise the identification of higher risk customers within their existing customer base for remediation, taking into consideration the increased attention to be paid to International Organisation PEPs, which is a new requirement. This remediation of higher risk customers should be done within six months of the Notice issuance date, by 24 October 2015. CMIs are to ensure that enhanced CDD measures are performed on the higher risk customers identified within their existing customer base.

**MONETARY AUTHORITY OF SINGAPORE**

24 April 2015

## **Appendix A**

### **List of Respondents to the Consultation Paper on Proposed Amendments to the MAS AML/CFT Notices to Financial Institutions on Prevention of Money Laundering and Countering the Financing of Terrorism – MAS Notice SFA04-N02**

1. CITCO Fund Services (Singapore) Pte. Ltd.
2. First State Investments (Singapore) Pte Ltd
3. Fullerton Fund Management Company Ltd
4. Grand Thornton Advisory Services Pte Ltd
5. iFAST Financial Pte Ltd
6. IG Asia Pte Ltd
7. Investment Management Association of Singapore
8. KGI Ong Capital Pte Ltd
9. KPMG Services Pte Ltd
10. Laven Partners
11. Nordea Bank Finland Plc
12. Octagon Capital Management Pte Ltd
13. Phillip Securities Pte Ltd
14. Schroder Investment Management (Singapore) Ltd
15. Securities Association of Singapore
16. Sidley Austil LLP
17. SOFOS Capital Management Pte. Ltd.
18. Sumitomo Mitsui Banking Corporation
19. Mr. Teng Kuan Siong
20. UOB Helvetic Investments Pte Ltd
21. Water Dragon Solutions Pte Ltd
22. Wong Partnership LLP

Note: This list includes only the names of respondents who did not request that their submissions be kept confidential.

## Appendix B

### MAS NOTICE SFA04-N02 (Tracked Changes)

MAS Notice No: SFA04-N02

2 July 2007

~~Last revised on 1 July 2014~~

~~(Refer to endnotes for history of amendments)~~

24 April 2015

NOTICE TO CAPITAL MARKETS INTERMEDIARIES  
MONETARY AUTHORITY OF SINGAPORE ACT, CAP. 186

### **PREVENTION OF MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM – CAPITAL MARKETS INTERMEDIARIES**

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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) ("MAS Act") and applies to all:

(a) holders of a capital markets services licence, under the Securities and Futures Act (Cap. 289) ("SFA"), all 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), ~~and all persons exempted under paragraph 5(1)(d) or 7(1)(b) of the Second Schedule to the Securities and Futures (Licensing and Conduct of Business) Regulations from having to hold a capital markets services licence.~~ 10) ("SF(LCB)R");  
and

[SFA04-N02 (Amendment) 2012]  
(b) all persons exempted under paragraph 7(1)(b) of the Second Schedule to the SF(LCB)R from the requirement to hold a capital markets services licence.



1.2 Except for paragraphs 4, 5, 10, 14.6 and 14.7, this Notice shall take effect from 24 May 2015. Paragraphs 4, 5, 10, 14.6 and 14.7 shall take effect from 24 July 2015. MAS Notice SFA04-N02 dated 2 July 2007 is cancelled with effect from 24 May 2015.

## **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 CMI, means the natural person who ultimately owns or controls ~~the~~ 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 a ~~body corporate or unincorporate~~ legal person or legal arrangement, but shall not include a natural person who is considered a customer of the CMI under subparagraph (c) of the definition of “customer” in this Notice;

“business relations” means —

(a) the opening or maintenance of an account by the CMI in the name of a person and;

(a)(b) the ~~undertaking~~ provision of ~~transactions~~ financial advice by the CMI ~~for that person on that account;~~ to; or

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

(c) the provision of fund management services by the CMI to,

a person (whether a natural person, legal person or legal arrangement);

“CDD measures” or “customer due diligence measures” means the ~~process of identifying the customer and obtaining information~~ measures required by paragraph ~~46~~;

“CDSA” means the Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act (Cap. 65A);

“CMI” means a person holding a capital markets services licence under the SFA, a fund management company registered under paragraph 5(1)(i) of the Second Schedule to the ~~Securities and Futures (Licensing and Conduct of Business) RegulationsSF(LCB)R~~ or a person exempted from having the requirement to hold such a licence under paragraph ~~5(1)(d) or~~ 7(1)(b) of the Second Schedule to the ~~Securities and Futures (Licensing and Conduct of Business) RegulationsSF(LCB)R~~;

[SFA04-N02 (Amendment) 2012]

“customer”, “connected party” —

- (a) in relation to a CMI, ~~means~~ legal person (other than a ~~person~~ partnership), means any director or any natural person having executive authority in whose name an account ~~the~~ legal person;
- (b) in relation to a legal person that is ~~opened~~ a partnership, means any partner or intended to be opened manager<sup>12</sup>; and
- (c) in relation to a legal arrangement, means any natural person having executive authority in the legal arrangement;

“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 Organisation of Securities Commissions, or ~~for~~ the Insurance Core Principles issued by the International Association of Insurance Supervisors;

“customer”, in relation to a CMI, means a person (whether a natural person, legal person or legal arrangement) —

- (a) with whom ~~at~~ the CMI establishes or intends to establish business relations;

<sup>12</sup> In the case of a limited liability partnership or a limited partnership.

~~(a)~~(b) for whom the CMI undertakes or intends to undertake any transaction without an account being opened; or

(c) who invests into an investment vehicle to which the CMI provides the regulated activity of fund management, but shall not include an investment vehicle —

(i) which is an entity as described in paragraph 6.16(c) or 6.16(d);

(ii) where the interests in the investment vehicle are distributed by a financial institution as described in paragraph 6.16(e) or 6.16(f); or

(iii) where the primary manager is a financial institution (other than the CMI) that is subject to and supervised for compliance with AML/CFT requirements consistent with standards set by FATF;

“entity” (other than in the definition of legal person) has the same meaning as defined in section 2(1) of the SFA, except that it shall include a trust;

“FATF” means the Financial Action Task Force;

“financial advice” means a financial advisory service as defined in section 2(1) of the Financial Advisers Act (Cap. 110) or advising on corporate finance as defined in section 2(1) of the SFA;

“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 financial institutions as defined in section 27A(6) of the MAS Act or the equivalent financial institutions outside Singapore;

“fund management” has the same meaning as defined in the Second Schedule to the SFA, except that a reference to “customer” has the same meaning as defined in this Notice;

“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 arrangement” means a trust or other similar arrangement;

“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;

“officer” means any director or any member of the committee of management of the CMI;

“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;

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

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

“TSOFA” means the Terrorism (Suppression of Financing) Act (Cap. 325).

2.2 A reference to any threshold or value limit expressed in S\$ shall include a reference to the equivalent amount expressed in any other currency.

~~1.1 A reference to the completion of CDD measures is a reference to the situation when the CMI has received satisfactory responses to all inquiries.~~

~~1.2 Unless the context otherwise requires, a reference to a financial institution supervised by the Authority does not include a person who is exempted from licensing, approval or regulation by the Authority, except a person who is 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.~~

[SFA04-N02 (Amendment) 2012]

2.3 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 SFA.

### 3 UNDERLYING PRINCIPLES

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

- (a) A CMI ~~must~~shall exercise due diligence when dealing with customers, natural persons appointed to act on the customer's behalf, connected parties of the customer and beneficial owners of the customer.
- (b) A CMI ~~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 CMI ~~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 CMI 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 CMI has operations in; and
- (d) the products, services, transactions and delivery channels of the CMI.

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

- (a) documenting the CMI'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 CMI's risk assessments up-to-date; and
- (d) having appropriate mechanisms to provide its risk assessment information to the Authority.

### **Risk Mitigation**

4.3 A CMI shall —

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

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

5.1 A CMI 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 CMI shall undertake the risk assessments, prior to the launch or use of such products, practices and technologies (to the extent such use is permitted by this Notice), and shall take appropriate measures to manage and mitigate the risks.

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

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

(b) new or developing technologies.

that favour anonymity.

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

##### Anonymous or Fictitious Account

4.16.1 No CMI shall open or maintain an anonymous ~~accounts~~account or ~~accounts~~an account in a fictitious ~~names~~name.

##### Where There Are Reasonable Grounds for Suspicion prior to the Establishment of Business Relations or Undertaking any Transaction without opening an Account

6.2 Prior to a CMI establishing business relations or undertaking any transaction without opening an account, where the CMI has any reasonable grounds to suspect that the assets or funds of a customer are proceeds of drug dealing or criminal conduct as defined in the CDSA, or are property related to the facilitation or carrying out of any terrorism financing offence as defined in the TSOFA, the CMI shall —

(a) not establish business relations with, or undertake a transaction for, the customer; and

(b) file an STR<sup>13</sup>, and extend a copy to the Authority for information.

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

4.26.3 A CMI shall perform ~~CDD~~the measures ~~in accordance with this Notice as required by paragraphs 6, 7 and 8~~ when —

- (a) the CMI establishes business relations with any customer;
- (b) the CMI undertakes any transaction of a value exceeding S\$20,000 for any customer who has not otherwise established business relations with the CMI;
- (c) there is a suspicion of money laundering or ~~terrorist~~terrorism financing, notwithstanding that the CMI would ~~not~~ otherwise ~~not~~ be required by this Notice to perform ~~CDD~~the measures as required by paragraphs 6, 7 and 8; or
- (d) the CMI has doubts about the veracity or adequacy of any information previously obtained.

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

6.4 Where a CMI 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 in relation to the circumstances set out in paragraph 6.3(b), the CMI shall treat the transactions as a single transaction and aggregate their values for the purposes of this Notice.

(I) Identification of ~~Customers~~Customer

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

<sup>13</sup> Please note in particular section 48 of the CDSA on tipping-off.



4.46.6 For the ~~purpose~~purposes of paragraph 4.36.5, a CMI shall obtain ~~and record~~ information of the customer, including but not limited to at least the following information:

(a) ~~Full~~full name, including any aliases;

(b) ~~Unique~~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~~the customer's –

(i) residential address; ~~or~~

(ii) registered or business address ~~(, and if different, principal place of business,~~

as may be appropriate) ~~and contact telephone number(s);~~

~~(c)(d)~~ Date of birth, establishment, incorporation or registration (as may be appropriate); and

~~(d)(e)~~ Nationality or nationality, place of incorporation or place of registration (as may be appropriate).

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

1.3 — Where the customer is a ~~partnership or a limited liability partnership~~legal person or legal arrangement, the CMI shall, ~~apart from identifying the customer,~~ also identify the ~~partners.~~

connected parties of

4.66.8 ~~Where~~ the customer ~~is any other body corporate or unincorporate,~~ by obtaining at least the CMI shall, ~~apart from identifying the customer,~~ also identify the ~~persons having executive authority in that body corporate or unincorporate.~~ following information of each connected party:

(a) full name, including any aliases; and

(b) unique identification number (such as an identity card number, birth certificate number or passport number of the connected party).

(II) Verification of Identity of Customer

4.4—A CMI shall verify the identity of the customer using reliable, independent ~~sources.~~

source data.

4.76.9 ~~A CMI shall retain copies of all reference documents used to verify the identity of the customer or information. Where the customer is a legal person or legal arrangement, a CMI shall verify the legal form, proof of existence, constitution and powers that regulate and bind the customer, using reliable, independent source data, documents or information.~~

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

4.86.10 Where ~~thea~~ customer appoints one or more natural persons to act on his behalf in establishing business relations with ~~thea~~ CMI or the customer is not a natural person, ~~athe~~ CMI shall —

(a) identify ~~theeach~~ natural ~~persons that act~~person who acts or ~~areis~~ appointed to act on behalf of the customer; — by obtaining at least the following information of such natural person:

(i) full name, including any aliases;

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

(iii) residential address;

(iv) date of birth;

(v) nationality; and

- (a) ~~verify the identity of these persons~~each natural person using reliable, independent ~~sources; and~~
- (b) ~~retain copies of all references~~source data, documents ~~used to verify the identity of these persons. or information.~~

4.96.11A CMI shall verify the due authority of ~~such persons~~each natural person appointed to act on behalf of the customer by obtaining at least the customer following:

~~1.5~~ A CMI 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 natural person by the customer ~~has appointed the persons~~ to act on his or its behalf; and
- (b) the specimen ~~signature~~signature of ~~the persons~~such natural person appointed.

4.106.12 Where the customer is a Singapore ~~government~~Government entity, the CMI 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~~Owner

4.116.13 Subject to paragraph ~~4.176.16~~, a CMI shall inquire if there exists any beneficial owner in relation to a customer.

4.126.14 Where there is one or more beneficial owner in relation to a customer, the CMI 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. The CMI shall —

- (a) for customers that are legal persons —

(i) identify the natural persons (whether acting alone or together) who ultimately own the legal person;

(ii) to the extent that there is doubt under subparagraph (i) 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, identify the natural persons (if any) who ultimately control the legal person or have ultimate effective control of the legal person; and

(iii) where no natural persons are identified under subparagraph (i) or (ii), identify the natural persons having executive authority in the legal person, or in equivalent or similar positions;

(b) for customers that are legal arrangements —

(i) for trusts, identify the settlor, the trustee, the protector (if any), the beneficiaries (including every beneficiary that falls within a designated characteristic or class)<sup>14</sup>, and any natural person exercising ultimate ownership, ultimate control or ultimate effective control over the trust (including through a chain of control or ownership); and

(ii) for other types of legal arrangements, identify persons in equivalent or similar positions, as those described under subparagraph (i).

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

4.146.16 A CMI 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;

<sup>14</sup> In relation to a beneficiary of a trust designated by characteristics or by class, the CMI shall obtain sufficient information about the beneficiary to satisfy itself that it will be able to establish the identity of the beneficiary —

(a) before making a distribution to that beneficiary; or

(b) when that beneficiary intends to exercise vested rights.

- (b) a foreign government entity;
- (c) an entity listed on the Singapore Exchange;
- (d) an entity listed on a stock exchange outside of Singapore that is subject to ~~regulatory disclosure requirements; \_\_\_~~

~~(a) 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);~~

~~(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) 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 CMI 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.

~~4.156.17~~ For the purposes of ~~paragraphs 4.17~~paragraph 6.16(f) and 4.176.16(g)(ii), a CMI 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

4.166.18 A CMI shall ~~obtain, from the customer~~, when processing the application to establish business relations, understand and as appropriate, obtain from the customer information as to the purpose and intended nature of business relations.

(VI) Ongoing Monitoring

4.176.19 A CMI shall monitor on an ongoing basis, its business relations with customers.

4.186.20 A CMI shall, during the course of business relations with a customer, observe the conduct of the customer's account and scrutinise transactions undertaken throughout the course of business relations, to ensure that the transactions are consistent with the CMI's knowledge of the customer, its business and risk profile and where appropriate, the source of funds.

4.196.21 A CMI shall pay special attention to all complex ~~or~~, unusually large ~~transactions~~ or unusual patterns of transactions, undertaken throughout the course of business relations, that have no apparent or visible economic or lawful purpose.

6.22 For the purposes of ongoing monitoring, a CMI shall put in place and implement adequate systems and processes, commensurate with the size and complexity of the CMI, to —

(a) monitor its business relations with customers; and

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

4.206.23 A CMI shall, to the extent possible, inquire into the background and purpose of the transactions in paragraph 4.226.21 and document its findings with a view to making this information available to the relevant ~~competent~~ authorities should the need arise.

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

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

(a) the CMI shall substantiate and document the reasons for retaining the customer; and

(b) the customer's business relations with the CMI shall be subject to commensurate risk mitigation measures, including enhanced ongoing monitoring.

6.26 Where the CMI assesses the customer or the business relations with the customer referred to in paragraph 6.25 to be of higher risk, the CMI shall perform enhanced CDD measures, which shall include obtaining the approval of the CMI's senior management to retain the customer.

#### **CDD Measures for Non-Face-to-Face Verification Business Relations**

4.226.27 A CMI shall ~~put in place~~ develop 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.

4.236.28 A CMI shall implement the policies and procedures referred to in paragraph ~~4.256.27~~ 4.256.27 when establishing business relations with a customer ~~relationships~~ and when conducting ongoing due diligence.

4.246.29 Where there is no face-to-face contact, the CMI shall ~~carry out~~ perform CDD measures that are at least as stringent as those that would be required to be performed if there ~~were~~ was face-to-face contact.

## Reliance ~~by Acquiring CMI on Identification and Verification Measures~~ Already Performed

~~4.256.30~~ When a CMI (“acquiring CMI”) acquires, either in whole or in part, the business of another financial institution (whether in Singapore or elsewhere), the acquiring CMI shall perform ~~CDD~~the measures ~~as required by paragraphs 6, 7 and 8, on the~~ customers acquired with the business at the time of acquisition except where the acquiring CMI has \_\_\_\_\_

- (a) acquired at the same time all corresponding customer records (including ~~customer identification~~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 CMI as to the adequacy of AML/CFT measures previously adopted in relation to the business or part thereof now acquired by the acquiring CMI and document such enquiries.

## ~~CDD~~ Measures for Non-Account ~~Holders~~Holder

~~4.266.31~~ A CMI that undertakes any transaction of a value exceeding S\$20,000 for any customer who does not otherwise have business relations with the CMI shall —

- (a) ~~establish and verify the identity of the customer~~perform CDD measures as if the customer had applied to the CMI to establish business relations; and
- (b) record adequate details of the transaction so as to permit the reconstruction of the transaction, including the nature and date of the transaction, the type and amount of currency involved, the value date, and the details of the payee or beneficiary.

~~1.6 — Where a CMI 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 CMI shall treat the transactions as a single transaction and aggregate their values for the purpose of this Notice.~~



## Timing for Verification

~~4.27~~6.32 Subject to ~~paragraph 4.32 of this Notice~~paragraphs 6.33 and 6.34, a CMI shall complete verification of the identity of ~~the~~ customer as required by paragraph 6.9, natural persons appointed to act on behalf of the customer as required by paragraph 6.10(b) and beneficial ~~owner~~ owners of the customer as required by paragraph 6.14 —

- (a) before the CMI establishes business relations with the customer; or
- (b) before the CMI undertakes any transaction ~~for a~~ of a value exceeding S\$20,000 for the customer, where the customer ~~does~~ has not ~~have~~ otherwise established business relations with the CMI.

~~4.28~~6.33 A CMI may establish business relations with a customer before completing the verification of the identity of the customer ~~and beneficial owners~~ required by paragraph 6.9, natural persons appointed to act on behalf of the customer as required by paragraph 6.10(b) and beneficial owners of the customer as required by paragraph 6.14 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 CMI.

6.34 Where the CMI establishes business relations with a customer before ~~verification of~~ verifying the identity of the customer ~~or beneficial owners~~ as required by paragraph 6.9, natural persons appointed to act on behalf of the customer as required by paragraph 6.10(b), and beneficial owners of the customer as required by paragraph 6.14, the CMI shall —

- (a) develop and implement internal risk management policies and procedures concerning the conditions under which such business relations may be established prior to verification; and

~~(a)~~(b) complete such verification as soon as is reasonably practicable.

## Where CDD Measures are Not Completed

4.296.35 Where the CMI is unable to complete ~~CDD~~the measures as required under paragraphs 6, 7 and 8, it shall ~~terminate the business relationship and not commence or continue business relations with any customer, or undertake any transaction for any customer.~~ The CMI shall consider if the circumstances are suspicious so as to warrant the filing of an STR.

6.36 For the purposes of paragraph 6.35, completion of the measures means the situation where the CMI has obtained, screened and verified (including by delayed verification as allowed under paragraphs 6.33 and 6.34) all necessary CDD information under paragraphs 6, 7 and 8, and where the CMI has received satisfactory responses to all inquiries in relation to such necessary CDD information.

## Joint Account

4.306.37 In the case of a joint account, a CMI shall perform CDD measures on all of the joint account holders as if each of them were individually customers of the CMI.

## Existing Customers

6.38 A CMI shall perform ~~such CDD~~the measures as ~~may be appropriate~~required by paragraphs 6, 7, and 8 in relation to its existing customers ~~having regard to, based on~~ its own assessment of materiality and risk, taking into account any previous measures applied, the time when the measures were last applied to such existing customers and the adequacy of data, documents or information obtained.

## Screening

4.316.39 A CMI shall screen a customer, natural persons appointed to act on behalf of the customer, connected parties of the customer and beneficial owners of the customer against relevant money laundering and terrorism financing information sources, as well as lists and information provided by the Authority or

other relevant authorities in Singapore for the purposes of determining if there are any money laundering or terrorism financing risks in relation to the customer.

6.40 A CMI shall screen the persons referred to in paragraph 6.39 —

- (a) when, or as soon as reasonably practicable after, the CMI establishes business relations with a customer;
- (b) when the CMI undertakes any transaction of a value exceeding S\$20,000 for any customer who has not otherwise established business relations with the CMI;
- (c) on a periodic basis after the CMI establishes business relations with the customer; and
- (d) when there are any changes or updates to —
  - (i) the lists and information provided by the Authority or other relevant authorities in Singapore to the CMI; or
  - (ii) the natural persons appointed to act on behalf of a customer, connected parties of a customer or beneficial owners of a customer.

4.326.41 The results of screening and assessment by the CMI shall be documented.

## 57 SIMPLIFIED CUSTOMER DUE DILIGENCE

5.17.1 Subject to paragraph 5.27.4, a CMI 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 the customer and any beneficial owner of the customer (other than any beneficial owner that the CMI is exempted from making inquiries about under paragraph 6.16) if it is satisfied that the risks of money laundering and ~~terrorist~~terrorism financing are low.

7.2 ~~No CMI~~The assessment of low risks shall perform be supported by an adequate analysis of risks by the CMI.

~~5.27.3~~ The simplified CDD measures in the following circumstances shall be commensurate with the level of risk, based on the risk factors identified by the CMI.

7.4 A CMI shall not perform simplified CDD measures —

(a) ~~where the customers are a customer or any beneficial owner of the customer is~~ from or in countries and jurisdictions a country or jurisdiction in relation to which the FATF has called for countermeasures;

~~(a)~~(b) where a customer or any beneficial owner of the customer is from or in a country or jurisdiction known to have inadequate AML/CFT measures, as determined by the CMI for itself or notified to CMIs generally by the Authority, or by other foreign regulatory authorities; or

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

[SFA04-N02 (Amendment) 2009]

~~5.37.5~~ A~~Subject to paragraphs 7.2, 7.3 and 7.4, a~~ CMI 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 CMI performs simplified CDD measures in relation to a customer, any natural person appointed to act on behalf of the customer and any beneficial owner of the customer, it shall document —

(a) the details of its risk assessment; and

(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” means —, either socially or professionally;~~

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

~~“family member” means a parent, step-parent, child, step-child, adopted child, spouse, sibling, step-sibling and adopted sibling of the politically exposed person;~~

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

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

~~(b) — close associates of such a person.~~

[SFA04-N02 (Amendment) 2009]

~~“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 which is not treated as a resident institutional unit of the country in which it is located;~~

~~“international organisation politically exposed person” means a natural person who is or has been entrusted with prominent public functions in 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.

~~1.7~~ A CMI shall, in addition to performing CDD measures specified in paragraph 4, ~~perform enhanced CDD measures in relation to politically exposed persons, including but not limited to the following:~~

~~6.28.2~~ A CMI shall implement appropriate internal risk management systems, policies, procedures and controls to determine if a customer ~~or, any natural person appointed to act on behalf of the customer, any connected party of the customer or any beneficial owner of the customer~~ is a politically exposed person; ~~or a family member or close associate of a politically exposed person.~~

8.3 A CMI shall, in addition to performing CDD measures (specified in paragraph 6), perform at least the following enhanced CDD measures where a customer or any beneficial owner of the customer is determined by the CMI to be a politically exposed person, or a family member or close associate of a political exposed person under paragraph 8.2:

(a) obtain approval from the CMI's senior management to establish or continue business relations, ~~where the customer or beneficial owner is a politically exposed person or subsequently becomes a politically exposed person;~~ with the customer;

(b) establish, by appropriate and reasonable means, the source of wealth and source of funds of anythe customer ~~or~~ and any beneficial owner of the customer; and

~~(a)~~ conduct, during the course of business relations with the customer, enhanced monitoring of business relations with the customer.

### **Other High Risk Categories**

(c) A In particular, the CMI shall ~~perform enhanced CDD measures in paragraph 6.2 for such other categories~~ increase the degree and nature of customers; monitoring of the business relations ~~or~~ with and transactions ~~as the CMI may assess to present a higher risk for money laundering and terrorist financing.~~ for the customer, in order to determine whether they appear unusual or suspicious.

8.4 A CMI shall give particular attention may adopt a risk-based approach in determining whether to perform enhanced CDD measures or the extent of enhanced CDD measures 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 and/or transactions with any person from or in countries and jurisdictions the CMI present a higher risk for money laundering or terrorism financing.

#### **Other Higher Risk Categories**

8.5 A CMI shall implement appropriate internal risk management systems, policies, procedures and controls to determine if business relations with or transactions for any customer present a higher risk for money laundering or terrorism financing.

8.6 For the purposes of paragraph 8.5, circumstances where a customer presents or may present a higher risk for money laundering or terrorism financing include the following:

(a) where a customer or any beneficial owner of the customer is from or in a country or jurisdiction in relation to which the FATF has called for countermeasures, the CMI shall treat any business relations with or transactions for any such customer as presenting a higher risk for money laundering or terrorism financing; and

(a)(b) where a customer or any beneficial owner of the customer is from or in a country or jurisdiction known to have inadequate AML/CFT measures, as determined by the CMI for itself or notified to CMIs generally by the

Authority or other foreign regulatory authorities, the CMI shall assess whether any such customer presents a higher risk for money laundering or terrorism financing.

## **2 PERFORMANCE OF CDD MEASURES BY INTERMEDIARIES**

8.7 Subject to paragraph 7.2, a CMI may rely on an intermediary to ~~A CMI shall perform the appropriate enhanced CDD measures in paragraph 4~~ 8.3 for business relations with or transactions for any customer —

- (a) who the CMI determines under paragraph 8.5; or
- (b) the Authority or other relevant authorities in Singapore notify to the CMI,

as presenting a higher risk for money laundering or terrorism financing.

8.8 A CMI shall, in taking enhanced CDD measures to manage and mitigate any higher risks that have been identified by the CMI 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 this Notice ~~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 MAS Act.~~

## **9 RELIANCE ON 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 CMI incorporated in Singapore, its branches, subsidiaries, parent entity, the branches and subsidiaries of the parent entity, and other related corporations; or

(d) in relation to a CMI incorporated outside Singapore, its head office, its parent entity, the branches and subsidiaries of the head office, the branches and subsidiaries of the parent entity, and other related corporations.

6.39.2 Subject to paragraph 9.3, a CMI may rely on a third party to perform the measures as required by paragraphs 6, 7 and 8 if the following requirements are met:

(a) the CMI is satisfied that the intermediarythird 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 AML/CFT measures in place to comply with those requirements;

(b) the intermediarythe CMI 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 CMIs have been specifically precluded by the Authority from relying; upon; and

(c)(d) the intermediarythird party is able and willing to provide, without delay, upon the CMI's request, any document data, documents or information obtained by the intermediarythird party with respect to the measures applied on the CMI's customer, which the CMI would be required or would want to obtain.

[SFA04-N02 (Amendment) 2009]

6.49.3 No CMI shall rely on an intermediarya third party to conduct ongoing monitoring of business relations with customers.

6.59.4 Where a CMI relies on an intermediarya third party to perform the CDD measures as required by paragraphs 6, 7 and 8, 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); set out in Appendix 2; and
- (b) immediately obtain from the intermediary third party the CDD information which the intermediary third party had obtained.

[SFA04-N02 (Amendment) 2009]

6.69.5 For the avoidance of doubt, notwithstanding the reliance upon an intermediary third party, the CMI shall remain responsible for its AML/CFT obligations in this Notice.

## 10 CORRESPONDENT ACCOUNTS

10.1 Paragraph 10 applies to a CMI when it provides correspondent account services in Singapore to a financial institution that is operating outside Singapore.

10.2 For the purposes of paragraph 10 —

“correspondent account services” means the provision of services under a cross-border relationship between a CMI and a respondent financial institution, in relation to any activity for which the CMI is regulated under the SFA, whether for that respondent financial institution as principal or for that respondent financial institution’s customers;

“payable-through account” means an account maintained at the CMI by the respondent financial institution for the provision of correspondent account services, but which is accessible directly by a third party to effect transactions on its own behalf;

“respondent financial institution” means a financial institution, outside Singapore to which correspondent account services are provided; and

“shell financial institution” means a financial institution incorporated, formed or established in a country or jurisdiction where the financial institution has no physical presence and which is unaffiliated with a financial group that is subject to effective consolidated supervision.

10.3 A CMI in Singapore shall perform the following measures, in addition to CDD measures, when providing correspondent account services:

(a) assess the suitability of the respondent financial institution by taking the following steps:

(i) gather adequate information about the respondent financial institution to understand fully the nature of the respondent financial institution's business, including making appropriate inquiries on its management, its major business activities and the countries or jurisdictions in which it operates;

(ii) determine from any available sources the reputation of the respondent financial institution and the quality of supervision over the respondent financial institution, including whether it has been the subject of money laundering or terrorism financing investigation or regulatory action; and

(iii) assess the respondent financial institution's AML/CFT controls and ascertain that they are adequate and effective, having regard to the AML/CFT measures of the country or jurisdiction in which the respondent financial institution operates;

(b) clearly understand and document the respective AML/CFT responsibilities of the CMI and the respondent financial institution; and

(c) obtain approval from the CMI's senior management before providing correspondent account services to a new financial institution.

10.4 Where the correspondent account services involve a payable-through account, the CMI shall be satisfied that —

(a) the respondent financial institution has performed appropriate measures at least equivalent to those specified in paragraph 6 on the third party having direct access to the payable-through account; and

(b) the respondent financial institution is able to perform ongoing monitoring of its business relations with that third party and is willing and able to provide CDD information to the CMI upon request.

10.5 The CMI shall document the basis for its satisfaction that the requirements in paragraphs 10.3 and 10.4 are met.

10.6 No CMI shall enter into or continue correspondent account services relationship with another financial institution that does not have adequate controls against money laundering or terrorism financing activities, is not effectively supervised by the relevant authorities or is a shell financial institution.

10.7 A CMI shall also take appropriate measures when establishing a correspondent account services relationship, to satisfy itself that its respondent financial institutions do not permit their accounts to be used by shell financial institutions.

## 711 **RECORD KEEPING**

7.411.1A CMI shall in relation to all data, documents and information that the CMI is required to obtain or produce to meet the requirements under this Notice, prepare, maintain and retain ~~documentation on all its business relations and transactions with its customers~~ records of such that ~~—~~ data, documents and information.

11.2 A CMI shall perform the measures as required by paragraph 11.1 such that —

- (a) all requirements imposed by law (including this Notice) are met;
- (b) any individual transaction undertaken by the CMI can be reconstructed (including the amount and type 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 CMI are able to review the CMI's business relations, transactions, records and CDD information and assess the level of compliance with this Notice; and
- (d) the CMI 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.

~~7.2~~11.3 Subject to paragraph ~~8.4~~11.5 and any other requirements imposed by law, a CMI shall, for the purposes of record retention under paragraphs 11.1 and 11.2, and when setting its record retention policies, comply with the following ~~document~~record retention periods:

~~a period of at least 5 years following termination of business relation for customer identification~~

~~(a) — for CDD information, and other documents relating to the establishment of business relations and transactions undertaken without an account being opened, as well as account files and, business correspondence; and~~

~~(a) and results of any analysis undertaken, a period of at least 5 years following the termination of such business relations or completion of the transaction for records such transactions; and~~

~~(a)(b) for data, documents and information 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.~~

~~7.3~~11.4A CMI may retain data, documents 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.

~~7.4~~11.5A CMI shall retain records of data, documents 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.

## 12 PERSONAL DATA

12.1 For the purposes of paragraph 12, “individual” means a natural person, whether living or deceased.

12.2 Subject to paragraph 12.3 and for the purposes of complying with this Notice, a CMI 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 CMI;
- (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 CMI; 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 CMI.

12.3 A CMI 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 CMI:
  - (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 residential address;
  - (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 CMI; and
- (b) subject to section 22(7) read with 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 subparagraphs (a)(i) to (vi), provided the CMI is satisfied that there are reasonable grounds for such request.

12.4 For the purposes of complying with this Notice, a CMI 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.

## **813 SUSPICIOUS TRANSACTIONS REPORTING**

~~8.113.1~~A CMI shall keep in mind the provisions in the ~~Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act~~CDSA<sup>15</sup> and in the ~~Terrorism (Suppression of Financing) Act (Cap. 325)~~TSOFA 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, officers and representatives are instructed to promptly refer all transactions suspected of being connected with money- laundering or terroristterrorism 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.

[SFA04-N02 (Amendment) 2013]

~~8.213.2~~A CMI 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.

~~8.313.3~~A CMI shall consider if the circumstances are suspicious so as to warrant the filing of an STR and document the basis for its determination, including where

<sup>15</sup> Please note in particular section 48 of the ~~Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act~~CDSA on tipping-off.

- (a) the CMI is for any reason unable to complete ~~CDD~~the measures as required by paragraphs 6, 7 and 8; or
- (b) the customer is reluctant, unable or unwilling to provide any information requested by the CMI, decides to withdraw a pending application to establish business relations or a pending transaction, or to terminate existing business relations.

13.4 Where a CMI forms a suspicion of money laundering or terrorism financing, and reasonably believes that performing any of the measures as required by paragraphs 6, 7 or 8 will tip-off a customer, a natural person appointed to act on behalf of the customer, a connected party of the customer or a beneficial owner of the customer, the CMI may stop performing those measures. The CMI shall document the basis for its assessment and file an STR.

## 914 INTERNAL POLICIES, COMPLIANCE, AUDIT AND TRAINING

9.14.1A CMI 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.

9.214.2The 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~~meet all requirements.

9.314.3~~A CMI 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 control~~this Notice.

### **Group Policy**

For the purposes of paragraphs 14.4 to 14.9, a reference to CMI means a CMI  
14.4 A CMI that is incorporated in Singapore.



~~9.4~~14.5 A CMI 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 outside Singapore in its financial group.

14.6 Where a CMI has a branch or subsidiary in a host country or jurisdiction —

(a) in relation to which the FATF has called for countermeasures; or

(b) known to have inadequate AML/CFT measures ~~to~~ as determined by the CMI for itself ~~or~~ notified to CMIs generally by the Authority or ~~by~~ other foreign regulatory authorities ~~),~~

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

14.7 Subject to the CMI putting in place adequate safeguards to protect the confidentiality and use of any information that is shared, the CMI 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, to the extent permitted by the law of the countries or jurisdictions that its branches and subsidiaries are in.

14.8 Such policies and procedures shall include the provision, to the CMI'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.

~~9.5~~14.9 Where the AML/CFT requirements in the host country or jurisdiction differ from those in Singapore, the CMI 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.

~~9.6~~14.10 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 ~~CMI's head office shall~~ CMI 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

~~9.7~~14.11 A CMI shall develop appropriate compliance management arrangements, including at least, the appointment of ~~a management level officer as the~~an AML/CFT compliance officer at the management level.

~~9.8~~14.12 A CMI shall ensure that the AML/CFT compliance officer, as well as any other persons appointed to assist him, has ~~is~~ suitably qualified and, has adequate resources and timely access to all customer records and other relevant information which ~~they require~~ he requires to discharge ~~their~~his functions.

## Audit

~~9.9~~14.13 A CMI shall maintain an audit function that is adequately resourced and independent, and ~~which will be~~ that is able to regularly assess the effectiveness of the CMI's internal policies, procedures and controls, and its compliance with regulatory requirements.

## Employee and Representative Hiring

~~9.10~~14.14 A CMI shall have in place screening procedures to ensure high standards when hiring employees, appointing officers and representatives.

## Training

~~9.11~~14.15 A CMI shall take all appropriate steps to ensure that its employees ~~and,~~ officers<sup>16</sup> and representatives (whether in Singapore or overseaselsewhere) are regularly and appropriately trained on —

<sup>16</sup> ~~“Officer”~~

~~(a) in relation to a CMI 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 CMI 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 CMI that is a body unincorporate (other than a partnership), means any member of the committee of management of the body unincorporate,~~  
~~where applicable.~~

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

~~(a)~~ \_\_\_\_\_

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

~~(b)(c)~~ the CMI'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 ~~terrorist~~terrorism financing.

#### Endnotes on History of Amendments

1. ~~\_\_\_\_\_~~ [MAS Notice SFA04-N02 dated 2 July 2007 with effect from 2 July 2007.  
(a) MAS Notice SFA04-N02 (Amendment) 2009 with effect from 3 July 2009.  
(b) MAS Notice SFA04-N02 (Amendment) 2009 with effect from 2 December 2009.  
(c) MAS Notice SFA04-N02 (Amendment) 2012 with effect from 7 August 2012.  
(d) MAS Notice SFA04-N02 (Amendment) 2013] with effect from 23 January 2013.

~~11~~ ~~\_\_\_\_\_~~ (e) MAS Notice SFA04-N02 (Amendment) 2014 with effect from **PERSONAL DATA**

~~11.1~~ ~~\_\_\_\_\_~~ For the purposes of July 2014.

2. MAS Notice SFA04-N02 dated 2 July 2007 cancelled with effect from 24 May 2015.

3. MAS Notice SFA04-N02 dated 24 April 2015 with effect from 24 May 2015.

## Appendix 1

1. Financial institutions that are licensed, approved, registered (including a fund management company registered under paragraph 11—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) ~~—“personal data” has the same meaning as defined in section 2(1) of the Personal Data Protection Act (Cap. 26);~~ holders of stored value facilities, as defined in section 2(1) of the Payment Systems (Oversight) Act (Cap. 222A); and

~~(a) —“individual” means a natural person, whether living or deceased; and~~

~~(b) —“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 CMI 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:~~

~~(d) any access to personal data about the individual that is in the possession or under the control of the CMI;~~

- ~~(e) 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 CMI; and~~
- ~~(f) 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 CMI.~~

~~11.3—A CMI 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:~~

~~(b)(c) access the following types of personal data of that individual, that is in the possession or under the control of the CMI:~~

~~(iii)(vii) his full name, including any alias;~~

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

~~(iv)(viii) his existing residential address and contact telephone number(s);~~

~~iii. his date of birth;~~

~~iv. his nationality;~~

~~v. 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 CMI; and~~

~~(c) 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 CMI is satisfied that there are reasonable grounds for such request.~~

~~11.4—For the purposes of complying with this Notice, a CMI may, whether directly or through a third party, collect, use and disclose personal data of an individual customer, an individual appointed to act on behalf of a customer, an individual~~

~~connected party of a customer or an individual beneficial owner of a customer, without the respective individual's consent.~~

~~[MAS Notice SFA04-N02 (Amendment) 2014]~~

#### ~~Endnotes on History of Amendments~~

- ~~1. SFA04-N02 (Amendment) 2009 dated 3 July 2009~~
- ~~2. SFA04-N02 (Amendment) 2009 dated 2 December 2009~~
- ~~3. SFA04-N02 (Amendment) 2012 dated 7 August 2012~~
- ~~4. SFA04-N02 (Amendment) 2013 dated 23 January 2013~~
- ~~5. SFA04-N02 (Amendment) 2014 dated 1 July 2014~~

~~(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 administrated 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).~~
- ~~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.~~

~~Note: For the avoidance of doubt, the financial institutions set out in Appendix 2 fall within Appendix 1.~~

## 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).
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.