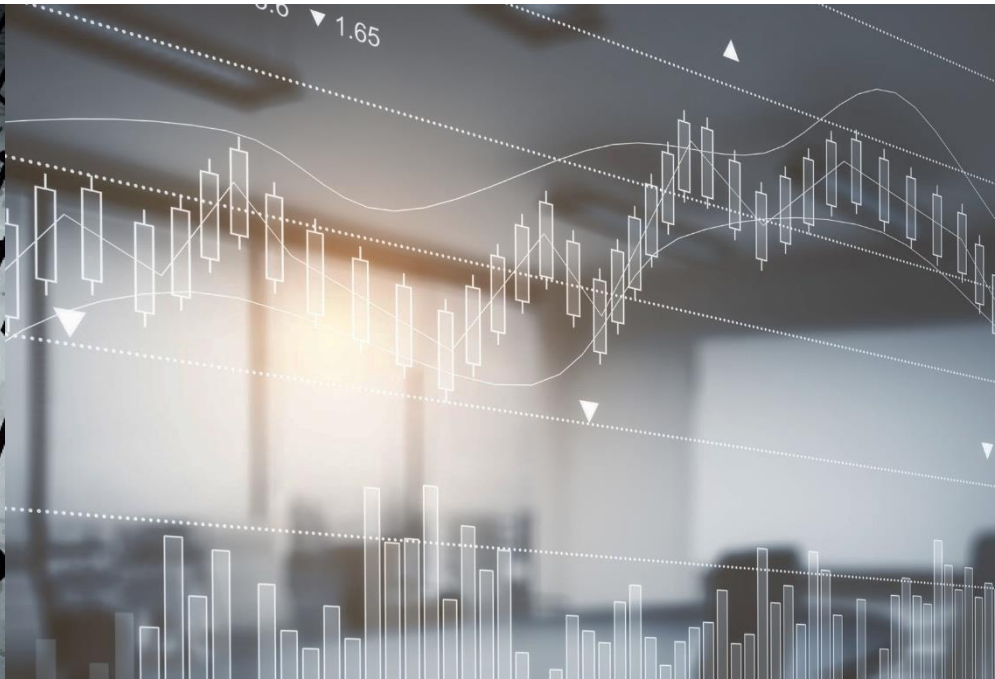




Monetary Authority  
of Singapore

# ENFORCEMENT REPORT JANUARY 2019 TO JUNE 2020



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# OPENING MESSAGE

In the four years since we established a centralised Enforcement Department, MAS has deepened our enforcement capability and expertise. We took strong actions against financial institutions and individuals across various segments of the financial sector for breaches of MAS-administered laws and regulations. We enhanced our ability to detect and disrupt market misconduct early, by working closely with the Singapore Exchange (SGX), providing guidance to brokers on their trade surveillance operations, and increasing our engagement with key industry stakeholders.

We also forged closer partnerships with our public agency partners, in particular the Attorney-General's Chambers (AGC), the Commercial Affairs Department of the Singapore Police Force (CAD), the Accounting and Corporate Regulatory Authority (ACRA), the Corrupt Practices Investigation Bureau, as well as our counterparts in the International Organisation of Securities Commissions (IOSCO) network. Notably, between 1 January 2019 and 30 June 2020, MAS and AGC secured the criminal convictions of nine individuals for market misconduct or related offences, as compared with one criminal conviction in the previous reporting period. In addition, we recently launched joint reviews or investigations with CAD and ACRA in several complex cases, including the Wirecard, Eagle Hospitality Trust and Hyflux matters.

Swift and effective enforcement outcomes are necessary to deter misconduct, protect consumers and maintain investor confidence. In this regard, the average time taken to complete our reviews and investigations has decreased from 33 to 24 months in criminal cases and from 30 to 26 months in civil penalty cases.

**Peggy Pao-Keerthi Pei Yu**  
**Executive Director**  
**Enforcement Department**



Looking ahead, we will strive to build upon these results. However, investigations and enforcement against financial misconduct will only become more challenging, as technology rapidly evolves, financial products grow in complexity and cases become increasingly multi-jurisdictional in nature. The Covid-19 situation also poses various operational and market risks.

To address these challenges, MAS will build upon our strengths and capabilities, by continually refining our processes, developing our people, and increasingly leveraging technology to heighten our effectiveness and efficiency. MAS has also kickstarted the process of updating our enforcement toolkit to ensure our effectiveness in detecting, investigating, and taking action against misconduct. As our financial sector grows in scale and sophistication, a robust enforcement regime will be critical in sustaining Singapore's reputation as a trusted financial centre.

# 1

## MAS' ENFORCEMENT PRINCIPLES

Vision and Mission

Enforcement Approach

# VISION AND MISSION



## **Vision**

To safeguard Singapore as a trusted international financial centre



## **Mission**

To administer an enforcement regime that delivers effective, fair and swift outcomes, in order to deter misconduct, protect consumers, and maintain investor confidence

# ENFORCEMENT APPROACH

Our enforcement approach, as detailed in our Enforcement Monograph, is shaped by the three principles of MAS' enforcement philosophy:



**Early Detection of  
Misconduct and  
Breaches of Law**



**Effective  
Deterrence**



**Shaping Business  
and Market  
Conduct**



# 2

## 2019/2020 ACHIEVEMENTS

Progress of 2019/2020 Priorities

Key Enforcement Outcomes

Average Time Taken for MAS' Reviews and Investigations

# PROGRESS OF 2019/2020 PRIORITIES



## **Corporate Disclosures**

MAS stepped up our focus on the detection and review of corporate disclosure failures. MAS and ACRA also established a joint forum to facilitate the review of accounting-related and disclosure issues, as well as coordinate enforcement efforts.



## **Business Conduct**

For failure to comply with business conduct requirements, MAS took robust enforcement actions against two financial institutions (FIs), including imposing a civil penalty of \$11.2 million. MAS also issued prohibition orders against 24 former representatives of financial advisers for dishonest business conduct.



## **Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) Compliance**

Arising out of AML/CFT thematic and for-cause inspections conducted on various FIs, MAS investigated and took enforcement actions against FIs with significant deficiencies in AML/CFT controls and senior managers who fell short in their duties.



# PROGRESS OF 2019/2020 PRIORITIES



## **Insider Trading**

MAS successfully pursued insider trading charges against three former representatives of FIs who carried out a front-running arrangement. MAS also imposed a civil penalty on an individual for selling shares in an overseas listed company while in possession of insider information.



## **Brokerage Houses' Internal Controls**

MAS worked with brokers to disrupt suspicious trading activities and engaged the industry on key observations from the disruption process. MAS and SGX Regulation also jointly published the MAS-SGX Trade Surveillance Practice Guide to help brokers implement good practices in their trade surveillance operations.

# ENFORCEMENT OUTCOMES

## Actions taken on breaches of MAS-administered Acts, Regulations and Notices\*



Reporting Period: 1 January 2019 to 30 June 2020



**9**

### Criminal Convictions

9 individuals sentenced to imprisonment



### \$3.4 million in Financial Penalties and Compositions<sup>^</sup>

Across 18 FIs



### \$11.7 million in Civil Penalties

In relation to 1 case of insider trading, 1 case of deceptive trading, and 1 case of failure to disclose shareholdings



**25**

### Prohibition Orders<sup>+</sup>

Banned unfit representatives from re-entering the financial industry



**3**

### Licence Revocations

Issued to 1 financial adviser and 2 fund management companies



**23**

### Reprimands

Issued to 4 individuals and 17 FIs



**124**

### Warnings

Issued to 22 individuals and 91 FIs



**76**

### Letters of Advice

Issued to 34 individuals and 42 companies



**282**

### Supervisory Reminders

Issued to 15 individuals and 199 FIs

\* Excludes investigations led by CAD under the MAS-CAD Joint Investigation Arrangement

<sup>+</sup> Includes one Prohibition Order effective prior to the reporting period but varied in duration during the reporting period

<sup>^</sup> \$3.3 million for AML/CFT breaches and \$0.1 million for other breaches

# AVERAGE TIME TAKEN FOR MAS' REVIEWS AND INVESTIGATIONS



Reporting Period: 1 January 2019 to 30 June 2020

## Average Time Taken\*



\* Average time taken refers to the period between the date a case was opened for review and the date the case was closed. A case is considered closed when it is referred to AGC for criminal prosecution or civil action, approved for regulatory action or a decision is made to take no further action.



# 3

## KEY AREAS OF FOCUS

Market Abuse

Financial Services Misconduct

Money Laundering-Related Control Breaches

# KEY AREA OF FOCUS

## Market Abuse



The main types of market abuse that MAS investigates include insider trading, false trading and corporate disclosure breaches.

Such unlawful behaviour distorts the prices of securities, creates false markets and undermines public confidence in Singapore's capital markets.

# MARKET ABUSE

## Featured Case

### Deceptive Trades by Client Advisers

MAS imposed a **civil penalty of \$11.2 million on UBS AG** (UBS) for deceptive trades by its client advisers that contravened section 201(b) of the Securities and Futures Act.

#### Case Summary

##### What the client advisers and UBS did

- > The client advisers engaged in acts that deceived or were likely to deceive clients about the spreads or interbank prices for transactions in over-the-counter bonds and structured products
- > UBS admitted liability and agreed to compensate all affected clients managed by UBS' Singapore branch

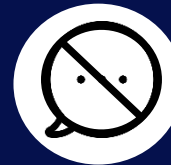
#### Action Taken\*

**\$11.2 million** civil penalty



\* Date: 14 November 2019. Investigations into the individuals involved in the misconduct are ongoing.

### How were the deceptive trades conducted?



Did not adhere to the trade price or spread agreed with or understood by clients



Did not fully disclose trade price improvements to clients



Internal system weaknesses enabled client advisers to increase the spread post-trade



Overcharged clients on agreed fees

# MARKET ABUSE

## Featured Case

### Criminal Convictions for Insider Trading

This was the **first case in Singapore of front-running prosecuted as an insider trading offence**, which carries a more severe penalty than that for front-running.

Leong Chee Wai (Leong) and Toh Chew Leong (Toh) were senior equity dealers with First State Investments (Singapore) (FSIS) and E Seck Peng Simon (E) was a remisier with UOB Kay Hian Pte Ltd (UOBKH).

#### Case Summary

##### What the trio did

- > Front-running arrangement over 7 years using price-sensitive confidential information from FSIS to trade ahead of FSIS' orders
- > Made profits totalling over \$8 million

#### Action Taken

**20 to 36 months' imprisonment\*** 

**13 to 15 years' prohibition orders<sup>+</sup>** 

**\$2.43 million forfeited to State** 

\* Conviction Date: 10 July 2019

<sup>+</sup> Effective Date of Prohibition Orders: 13 August 2019

### How were the insider trades conducted?



If FSIS was buying, Leong and Toh would instruct E to buy using his personal trading account before they executed FSIS' orders



As FSIS' orders typically involved large quantities of shares, the orders had significant price impact on the market



E would then enter sell orders which often matched FSIS' buy orders, and profit from the favourable price movements

# KEY AREA OF FOCUS

## Financial Services Misconduct



The main types of financial services misconduct investigated by MAS include mis-selling of financial products, breaches of business conduct rules and serious unfitness or impropriety.

MAS will act firmly and decisively to ensure that dishonest or improper conduct has no place in Singapore's financial services industry.



# FINANCIAL SERVICES MISCONDUCT

## Featured Case

### Fraudulent and Dishonest Conduct

#### 25-year Prohibition Orders\*

Former representative of Barclays Bank PLC, Singapore Branch (Barclays), Kale Jagdish Purushottam banned from:

- > providing financial advisory (FA) services, or taking part in the management, acting as director or becoming a substantial shareholder of any FA firm under the Financial Advisers Act
- > performing any regulated activity, or taking part in the management, acting as director or becoming a substantial shareholder of any capital markets licensee under the Securities and Futures Act

#### Why were the prohibition orders issued?



- > Convicted of offences involving fraud and dishonesty, including forgery, cheating, and unauthorised access to computer material
- > Sentenced to 13 years' imprisonment

\* Effective Date of Prohibition Orders: 4 May 2020

#### What was the dishonest conduct?



Forged signatures and banking documents to deceive Barclays into transferring about US\$10 million from clients' accounts to a third party as payment for his debts



Made more illegal fund transfers and raised unauthorised loans in other clients' accounts to cover up the earlier shortfalls and pay his debts



When queried by clients, forged documents to give impression that transfers were erroneous and had been reversed



Engaged in unauthorised stock and foreign exchange trades to cover up his acts, causing further net losses of at least US\$10 million to Barclays

# FINANCIAL SERVICES MISCONDUCT

## Featured Case

### Fraudulent and Dishonest Conduct

#### 20-year Prohibition Orders\*

Former representative of the Hong Kong and Shanghai Banking Corporation Limited (HSBC), Emeline Tang Wei Leng banned from:

- > providing FA services, or taking part in the management, acting as director or becoming a substantial shareholder of any FA firm under the Financial Advisers Act
- > performing any regulated activity, or taking part in the management, acting as director or becoming a substantial shareholder of any capital markets licensee under the Securities and Futures Act

#### Why were the prohibition orders issued?



- > Convicted of offences involving fraud and dishonesty, including forgery, cheating, and using the proceeds of her crime
- > Sentenced to 10 years 6 months' imprisonment

\* Effective Date of Prohibition Orders: 5 April 2019

#### What was the dishonest conduct?



Devised fraudulent fixed deposit plans which did not exist



Deceived 5 individuals (including 4 of her elderly relatives) into handing more than \$5 million to her, on the pretext of placing their monies into HSBC fixed deposit accounts



Gave victims forged documents to convince them that their monies had been deposited with the bank



Carried out her fraudulent schemes over 12 years, including after leaving HSBC

# KEY AREA OF FOCUS

## Money Laundering-Related Control Breaches



As important participants in the financial system, FIs are expected to have robust AML/CFT controls to detect and disrupt attempts to abuse our financial system for illicit purposes. Board and senior management must also exercise strong oversight over money laundering/terrorism financing (ML/TF) risks.

MAS will investigate and take firm action against entities and individuals who breach AML/CFT requirements, to deter the use of Singapore's financial sector as a conduit for ML/TF activities.

# MONEY LAUNDERING-RELATED CONTROL BREACHES

## Featured Cases

### Composition Penalties Imposed on Licensed Trust Companies

MAS imposed composition penalties of \$400,000 and \$1.1 million for serious breaches of AML/CFT requirements on TMF Trustees Singapore Ltd (TMF) and Asiaciti Trust Singapore Pte Ltd (Asiaciti) respectively.

#### Why were the compositions imposed?



Poor implementation of AML/CFT controls over a sustained period



Inadequate governance and oversight

#### Importance of robust AML/CFT controls

FIs involved in setting up trusts and other corporate or investment structures, or dealing with customers who use such vehicles are required to implement robust AML/CFT controls, with policies and processes that effectively mitigate risks from the use of such vehicles or structures.

#### What were the breaches?



Between 2011 and 2018, TMF **did not**:

- > conduct adequate enhanced customer due diligence measures (ECDD) to corroborate the source of wealth
- > conduct adequate transaction monitoring of high-risk trust relevant parties (TRP)



Between 2007 and 2018, Asiaciti **did not**:

- > perform independent audits on AML/CFT controls
- > put in place adequate procedures to determine if TRPs presented higher ML/TF risks
- > conduct adequate ECDD and enhanced monitoring of transactions by high-risk TRPs
- > consider if there were grounds for filing of suspicious transaction reports despite unusual circumstances

# MONEY LAUNDERING-RELATED CONTROL BREACHES

## Featured Case

### Revocation of Capital Markets Services Licence

MAS **revoked the licence of Apical Asset Management Pte. Ltd.** (Apical) for severe breaches of AML/CFT requirements and fundamental breaches of its duty as licensee to comply with laws and rules.

MAS also **reprimanded Apical's Chief Executive Officer and Director Yeh Yin Yee** and **Director Bernard Kan Cheok Yin.**

### Why was the licence revoked?



Did not have in place basic AML/CFT policies and procedures



ML/TF risk heightened by complex ownership structures used by some of Apical's customers

\* Date of Revocation: 28 July 2020

### What were the breaches?



Between 2013 and 2018, Apical **did not:**

- > conduct any enterprise-wide risk assessment
- > properly assess its clients to determine if they presented higher ML/TF risks
- > have sufficient ongoing monitoring controls and procedures
- > perform independent audits on AML/CFT controls



Directors failed to discharge their duties and functions to ensure Apical's compliance with laws and regulations



# **4** LEVERAGING TECHNOLOGY

# LEVERAGING TECHNOLOGY

## Identifying AML/CFT and Financial Advisory Misconduct

### Proactive Detection of Misconduct

#### Surveillance of new ML/TF risk area

With the introduction of the Payment Services Act 2019, MAS requires all Digital Payment Token (DPT) service providers operating in Singapore to be licensed.

MAS has enhanced our surveillance capabilities to proactively detect DPT service providers that operate illegally in Singapore. This involves analysing a wide range of datasets, including information from public sources.

#### Detection of mis-selling cases

MAS gathered granular data from selected FA firms as part of a data analytics initiative to detect potential mis-selling and identify other forms of misconduct in the industry.

Transactional records were overlaid and analysed with other information sources to identify undesirable conduct. MAS has engaged the firms on this work and our key findings.

MAS encourages the industry to put in place systems to collect and retain structured data to enable them to harness technology for the proactive detection of misconduct.

#### Key Objectives

What do we intend to achieve?



Proactive detection of misconduct

- > DPT service providers that operate illegally in Singapore without a licence
- > Potential mis-selling and other forms of misconduct in the FA industry



Early intervention to mitigate risks and potential harm to investors and consumers



Long-term goal for industry to harness technology and data analytics in early detection of potential misconduct

# LEVERAGING TECHNOLOGY

## Investigating Market Abuse

### Project Apollo

**Project Apollo** is an Augmented Intelligence system that automates the computation of key metrics used in the analysis of suspicious trading activities, and assesses the likelihood that certain types of market manipulation have occurred.

Following the success of the proof of concept, Project Apollo was launched in April 2020 as a fully operational system. It is currently used alongside other analytical and investigative tools in the assessment and prioritisation of suspected market abuse cases.

### Looking ahead

In addition to continually improving the accuracy and robustness of the algorithms, MAS plans to work with market experts and legal professionals to further validate Apollo's models and methodologies.

### Operationalisation

How are we using Apollo?



Apollo's automated trade analysis reduces the need for manual computation, helps to identify egregious transactions with higher market impact, and provides greater insight into market trading behaviour



Apollo allows enforcement officers to test various case scenarios and fine-tune investigation strategies for individual cases



Apollo's analysis helps officers with case prioritisation and guides decisions on the appropriate courses of enforcement actions



# LEVERAGING TECHNOLOGY

## Improving Efficiency and Effectiveness

### Technology-Assisted Review

MAS adopts **Technology-Assisted Review (TAR)** to improve the efficiency of the document review process in the course of investigations. TAR is internationally recognised as an effective tool for identifying and prioritising relevant documents for investigators to focus their review.

MAS also uses a combination of other data analytics techniques to supplement TAR:



#### **Culling**

Uses specific criteria, such as keywords, custodians, and date ranges to narrow down and isolate more critical document sets for a focused review



#### **De-duplication**

Uses analytics to remove identical or near-duplicate documents



#### **Concept Clustering & Search**

Uses concept analysis to group documents with similar concepts into concept clusters

### Key Objectives

What do we intend to achieve?



Early identification of documents of higher relevance in the review process



Efficient categorisation of large volumes of documents



Reduce the number of documents to review

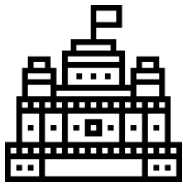


**5**

**INTERNATIONAL  
COOPERATION**

# INTERNATIONAL COOPERATION

MAS collaborates closely with international regulators and enforcement agencies to combat cross-border misconduct.



**Board Member  
of the  
International  
Organisation of  
Securities  
Commission**



**Member of  
IOSCO  
Committee 4 on  
Enforcement and  
the Exchange of  
Information**



**Signatories to  
IOSCO's  
Multilateral  
Memorandum of  
Understanding  
(MMoU) and  
Enhanced MMoU**



**Co-Chair of  
Policy  
Development  
Group under the  
Financial Action  
Task Force (FATF)**

# INTERNATIONAL COOPERATION

## IOSCO MMoU & Enhanced MMoU

Under the IOSCO MMoU and Enhanced MMoU (EMMoU), MAS is able to obtain assistance and information from fellow signatory regulators for the purpose of enforcing and securing compliance with securities and derivatives laws in Singapore.

### What assistance is available?



#### MMoU

- > Obtain records to enable the reconstruction of securities and derivatives transactions
- > Take or compel a person's statement regarding the potential offence



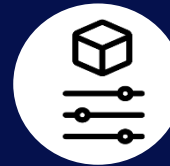
#### EMMoU

- > Obtain and share subscriber records held or maintained by telephone service providers and internet service providers
- > Obtain audit information
- > Obtain assistance in the freezing of assets

## FATF Membership

Singapore is an active member of this global standard setting body. As co-chair of the Policy Development Group, Singapore collaborates closely with fellow AML/CFT policymakers and supervisors to develop international standards to combat money laundering, terrorism, and proliferation financing.

### How is MAS involved?



- > Proactively shapes international standards to target robust outcomes that safeguard global financial integrity



- > Participates in FATF's mutual evaluation process aimed at effective global implementation of these standards
- > Promotes experience sharing between counterparts
- > Peer experts make recommendations to the evaluated country to improve effectiveness in combatting risks

# INTERNATIONAL COOPERATION



Reporting Period: 1 January 2019 to 30 June 2020





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# 2020/2021 PRIORITIES

# LOOKING AHEAD

In 2020 / 2021, some of our enforcement priorities are:



## Corporate Disclosures

Pursue serious and complex cases of disclosure breaches, in collaboration with key enforcement partners



## Financial Advisory Conduct

Deepen capability to proactively detect financial advisory misconduct



## AML/CFT Compliance

Continue focus on FIs which lack rigorous AML/CFT systems and processes



## Enhancing the Enforcement Toolkit

Update enforcement-related powers to better detect, investigate and take action against misconduct



## Senior Management Accountability

Enhance focus on senior management accountability for breaches by their FIs or subordinates