



Monetary Authority of Singapore

**GUIDELINES TO  
MAS NOTICE TCA-N03  
ON PREVENTION OF  
MONEY LAUNDERING  
AND COUNTERING THE  
FINANCING OF  
TERRORISM**

24 APRIL 2015

## **TABLE OF CONTENTS**

Introduction .....	1
2 Notice Paragraph 2 – Definitions, Clarifications and Examples .....	5
4 Notice Paragraph 4 – Assessing Risks and Applying a Risk-Based Approach....	6
5 Notice Paragraph 5 – New Products, Practices and Technologies.....	11
6 Notice Paragraph 6 – Customer Due Diligence .....	12
7 Notice Paragraph 7 – Simplified Customer Due Diligence.....	25
8 Notice Paragraph 8 – Enhanced Customer Due Diligence .....	26
9 Notice Paragraph 9 – Reliance on Third Parties.....	33
12 Notice Paragraph 12 – Suspicious Transactions Reporting .....	35
13 Notice Paragraph 13 – Internal Policies, Compliance, Audit and Training .....	37
I Other Key Topics – Guidance to Trust Companies on Proliferation Financing ..	41
II Useful Link.....	44
APPENDIX A – Examples of CDD Information for Trust Relevant Parties (Including Legal Persons / Arrangements).....	45
APPENDIX B – Examples of Suspicious Transactions .....	48

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*For ease of reference, the chapter numbers in these Guidelines mirror the corresponding paragraph numbers in the Notice [MAS Notice TCA-N03 on Prevention of Money Laundering and Countering the Financing of Terrorism – Trust Companies] (e.g. Chapter 2 of the Guidelines provides guidance in relation to paragraph 2 of the Notice). Not every paragraph in the Notice has a corresponding paragraph in these Guidelines and this explains why not all chapter numbers are utilised in these Guidelines.*

# **GUIDELINES TO MAS NOTICE TCA-N03 ON PREVENTION OF MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM**

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## **1 Introduction**

- 1-1 These Guidelines provide guidance to all trust companies on the requirements in MAS Notice TCA-N03 on Prevention of Money Laundering and Countering the Financing of Terrorism – Trust Companies (“the Notice”). These Guidelines should be read in conjunction with the Notice.
- 1-2 The expressions used in these Guidelines have the same meanings as those found in the Notice, except where expressly defined in these Guidelines or where the context otherwise requires. For the purposes of these Guidelines, a reference to “CDD measures” shall mean the measures as required by paragraphs 6, 7 and 8 of the Notice.
- 1-3 The degree of observance with these Guidelines by a trust company may have an impact on the Authority’s overall risk assessment of the trust company, including the quality of its board and senior management oversight, governance, internal controls and risk management.

## **1-4 Key Concepts**

### **Money Laundering**

- 1-4-1 Money laundering (“ML”) is a process intended to mask the benefits derived from criminal conduct so that they appear to have originated from a legitimate source. Singapore’s primary legislation to combat ML is the Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act (Cap. 65A). A trust company should refer to the Commercial Affairs Department’s (“CAD”) website for more information.
- 1-4-2 Generally, the process of ML comprises three stages, namely —
- (a) Placement - The physical or financial disposal of the benefits derived from criminal conduct.
  - (b) Layering - The separation of these benefits from their original source by creating layers of financial transactions designed to disguise the ultimate source and transfer of these benefits.
  - (c) Integration - The provision of apparent legitimacy to the benefits derived from criminal conduct. If the layering process succeeds, the integration schemes place the laundered funds back into the economy so that they re-enter the financial system appearing to be legitimate funds.

### **Terrorism Financing**

- 1-4-3 Acts of terrorism seek to influence or compel governments into a particular course of action or to intimidate the public or a section of the public. Trust companies are reminded of the definitions of terrorism set out in the

## **GUIDELINES TO MAS NOTICE TCA-N03 ON PREVENTION OF MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM**

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Terrorism (Suppression of Financing) Act (Cap. 325) (“TSOFA”) and the United Nations (Anti-terrorism Measures) Regulations (Rg. 1).

- 1-4-4 Terrorists require funds to carry out acts of terrorism, and terrorism financing (“TF”) is the act of providing these funds. Such funds may be derived from criminal activities such as robbery, drug-trafficking, kidnapping, extortion, fraud, or hacking of online accounts. In such cases, there may be an element of ML involved to disguise the source of funds.
- 1-4-5 However, terrorist acts and organisations may also be financed from legitimate sources such as donations from charities, legitimate business operations, self-funding by individuals etc. Coupled with the fact that TF need not always involve large sums of money, TF can be hard to detect and trust companies should remain vigilant.
- 1-4-6 Singapore’s primary legislation to combat TF is the TSOFA. Trust companies may refer to the Inter-Ministry Committee on Terrorist Designation’s (“IMC-TD”) website for more information.

### **The Three Lines of Defence**

- 1-4-7 Each trust company is reminded that the ultimate responsibility and accountability for ensuring compliance with anti-money laundering and countering the financing of terrorism (“AML/CFT”) laws, regulations and notices rests with its board of directors and senior management.
- 1-4-8 A trust company’s board of directors and senior management are responsible for ensuring strong governance and sound AML/CFT risk management and controls at the trust company. While certain responsibilities can be delegated to senior AML/CFT employees, final accountability rests with the trust company’s board of directors and senior management. A trust company should ensure a strong compliance culture throughout its organisation, where the board of directors and senior management set the right tone. The board of directors and senior management should set a clear risk appetite and ensure a compliance culture where financial crime is not acceptable.
- 1-4-9 Business units (e.g. front office, trust relevant party-facing functions) constitute the first line of defence in charge of identifying, assessing and controlling the ML/TF risks of their business. The second line of defence includes the AML/CFT compliance function, as well as other support functions such as operations, human resource or technology, which work together with the AML/CFT compliance function to identify ML/TF risks when they process transactions or applications or deploy systems or technology. The third line of defence is the trust company’s internal audit function.
- 1-4-10 As part of the first line of defence, business units require robust controls to detect illicit activities. They should be allocated sufficient resources to

## **GUIDELINES TO MAS NOTICE TCA-N03 ON PREVENTION OF MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM**

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perform this function effectively. The trust company's policies, procedures and controls on AML/CFT should be clearly specified in writing, and communicated to all relevant employees and officers in the business units. The trust company should adequately train employees and officers to be aware of their obligations, and provide instructions as well as guidance on how to ensure the trust company's compliance with prevailing AML/CFT laws, regulations and notices.

- 1-4-11 As the core of the second line of defence, the AML/CFT compliance function is responsible for ongoing monitoring of the trust company's fulfilment of all AML/CFT duties by the trust company. This implies sample testing and the review of exception reports. The AML/CFT compliance function should alert the trust company's senior management or the board of directors if it believes that the employees or officers in the line departments are failing or have failed to adequately address ML/TF risks and concerns. Other support functions such as operations, human resource or technology also play a role to help mitigate the ML/TF risks that the trust company faces. The AML/CFT compliance function is typically the contact point regarding all AML/CFT issues for domestic and foreign authorities, including supervisory authorities, law enforcement authorities and financial intelligence units.
- 1-4-12 As the third line of defence, the trust company's internal audit function or an equivalent function plays an important role in independently evaluating the AML/CFT risk management framework and controls for purposes of reporting to the audit committee of the trust company's board of directors, or a similar oversight body. This independent evaluation is achieved through the internal audit or equivalent function's periodic evaluations of the effectiveness of the trust company's compliance with prevailing AML/CFT policies, procedures and controls. A trust company should establish policies for periodic AML/CFT internal audits covering areas such as —
- (a) the adequacy of the trust company's AML/CFT policies, procedures and controls in identifying ML/TF risks, addressing the identified risks and complying with laws, regulations and notices;
  - (b) the effectiveness of the trust company's employees and officers in implementing the trust company's policies, procedures and controls;
  - (c) the effectiveness of the compliance oversight and quality control including parameters and criteria for transaction alerts; and
  - (d) the effectiveness of the trust company's training of relevant employees and officers.

### **Governance**

- 1-4-13 Strong board and senior management leadership is indispensable in the oversight of the development and implementation of a sound AML/CFT risk management framework across the trust company. The board of directors

## **GUIDELINES TO MAS NOTICE TCA-N03 ON PREVENTION OF MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM**

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and senior management should ensure that the trust company's processes are robust and there are adequate risk mitigating measures in place. The successful implementation and effective operation of a risk-based approach to AML/CFT depends on the trust company's employees and officers having a good understanding of the ML/TF risks inherent in the trust company's business.

- 1-4-14 A trust company's board of directors and senior management should understand the ML/TF risks the trust company is exposed to and how the trust company's AML/CFT control framework operates to mitigate those risks. This should involve the board and senior management —
- (a) receiving sufficient, frequent and objective information to form an accurate picture of the ML/TF risks including emerging or new ML/TF risks, which the trust company is exposed to through its activities and business contact with individual trust relevant parties;
  - (b) receiving sufficient and objective information to assess whether the trust company's AML/CFT controls are adequate and effective;
  - (c) receiving information on legal and regulatory developments and the impact these have on the trust company's AML/CFT framework; and
  - (d) ensuring that processes are in place to escalate important decisions that directly impact the ability of the trust company to address and control ML/TF risks, especially where AML/CFT controls are assessed to be inadequate or ineffective.

## **GUIDELINES TO MAS NOTICE TCA-N03 ON PREVENTION OF MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM**

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### **2 Notice Paragraph 2 – Definitions, Clarifications and Examples**

#### **Connected Party**

- 2-1 The term “partnership” as it appears in the definition of “connected parties” includes foreign partnerships. The term “manager” as it appears in limb (b) of the definition of “connected parties” takes reference from section 2(1) of the Limited Liability Partnership Act (Cap. 163A) and section 28 of the Limited Partnership Act (Cap. 163B).
- 2-2 Examples of natural persons with executive authority in a company include the Chairman and Chief Executive Officer. An example of a natural person with executive authority in a partnership is the Managing Partner.

#### **Legal Arrangements**

- 2-3 In relation to the definition of “legal arrangement” in the Notice, examples of legal arrangements are trust, fiducie, treuhand and fideicomiso.

#### **Legal Persons**

- 2-4 In relation to the definition of “legal person” in the Notice, examples of legal persons are companies, bodies corporate, foundations, anstalt, partnerships, joint ventures or associations.

#### **Officer**

- 2-5 A reference to “officer” refers to a trust company’s board of directors and senior management.

## **GUIDELINES TO MAS NOTICE TCA-N03 ON PREVENTION OF MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM**

### **4 Notice Paragraph 4 – Assessing Risks and Applying a Risk-Based Approach**

#### **Countries or Jurisdictions of its Trust Relevant Parties**

- 4-1 In relation to a trust relevant party who is a natural person, this refers to the nationality and place of domicile, business or work. For a trust relevant party who is a legal person or arrangement, this refers to both the country or jurisdiction of constitution, incorporation, or registration, and, if different, the country or jurisdiction of operations as well.

#### **Other Relevant Authorities in Singapore**

- 4-2 Examples include law enforcement authorities (e.g. Singapore Police Force, Commercial Affairs Department, Corrupt Practices Investigation Bureau) and other government authorities (e.g. Attorney General's Chambers, Ministry of Home Affairs, Ministry of Finance, Ministry of Law).

#### **Risk Assessment**

- 4-3 In addition to assessing the ML/TF risks presented by an individual trust relevant party, a trust company shall identify and assess ML/TF risks on an enterprise-wide level. This shall include a consolidated assessment of the trust company's ML/TF risks that exist across all its business units, product lines and delivery channels. The enterprise-wide ML/TF risk assessment relates to a trust company in Singapore in the following ways:
- (a) A trust company incorporated in Singapore shall take into account the ML/TF risks of its branches and subsidiaries, including those outside Singapore, as part of its consolidated assessment of its enterprise-wide ML/TF risks.
  - (b) The Singapore branch of a trust company incorporated outside Singapore may refer to an enterprise-wide ML/TF risk assessment performed by the head office, group or regional AML/CFT function, provided that the assessment adequately reflects the ML/TF risks faced in the context of its operations in Singapore.
- 4-4 The enterprise-wide ML/TF risk assessment is intended to enable the trust company to better understand its overall vulnerability to ML/TF risks and form the basis for the trust company's overall risk-based approach.
- 4-5 A trust company's senior management shall approve its enterprise-wide ML/TF risk assessment and relevant business units should give their full support and active co-operation to the enterprise-wide ML/TF risk assessment.
- 4-6 In conducting an enterprise-wide risk assessment, the broad ML/TF risk factors that the trust company should consider include —

## **GUIDELINES TO MAS NOTICE TCA-N03 ON PREVENTION OF MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM**

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- (a) in relation to its trust relevant parties —
- (i) target trust relevant parties' markets and segments;
  - (ii) profile and number of trust relevant parties identified as higher risk;
  - (iii) volumes and sizes of its trust relevant parties' transactions and funds transfers, considering the usual activities and the risk profiles of its trust relevant parties
- (b) in relation to the countries or jurisdictions its trust relevant parties are from or in, or where the trust company has operations in —
- (i) countries or jurisdictions the trust company is exposed to, either through its own activities (including where its branches and subsidiaries operate in) or the activities of its trust relevant parties, especially countries or jurisdictions with relatively higher levels of corruption, organised crime or inadequate AML/CFT measures, as identified by the Financial Action Task Force ("FATF");
  - (ii) when assessing ML/TF risks of countries and jurisdictions, the following criteria may be considered:
    - evidence of adverse news or relevant public criticism of a country or jurisdiction, including FATF public documents on High Risk and Non-cooperative jurisdictions;
    - independent and public assessment of the country's or jurisdiction's overall AML/CFT regime such as FATF or FATF-Styled Regional Bodies' ("FSRBs") Mutual Evaluation reports and the IMF / World Bank Financial Sector Assessment Programme Reports or Reports on the Observance of Standards and Codes for guidance on the country's or jurisdiction's AML/CFT measures;
    - the AML/CFT laws, regulations and standards of the country or jurisdiction;
    - implementation standards (including quality and effectiveness of supervision) of the AML/CFT regime;
    - whether the country or jurisdiction is a member of international groups that only admit countries or jurisdictions which meet certain AML/CFT benchmarks;
    - contextual factors, such as political stability, maturity and sophistication of the regulatory and supervisory regime, level of corruption, financial inclusion etc;

## **GUIDELINES TO MAS NOTICE TCA-N03 ON PREVENTION OF MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM**

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- (c) in relation to the products, services, transactions and delivery channels of the trust company —
  - (i) the nature, scale, diversity and complexity of the trust company's business activities;
  - (ii) the nature of products and services offered by the trust company; and
  - (iii) the delivery channels, including the extent to which the trust company deals directly with the trust relevant party, relies on third parties to perform CDD measures or uses technology.
  
- 4-7 The scale and scope of the enterprise-wide ML/TF risk assessment should be commensurate with the nature and complexity of the trust company's business.
  
- 4-8 As far as possible, a trust company's enterprise-wide ML/TF risk assessment should entail both qualitative and quantitative analyses to ensure that the trust company accurately understands its exposure to ML/TF risks. A quantitative analysis of the trust company's exposure to ML/TF risks should involve evaluating data on the trust company's activities using the applicable broad risk factors set out in paragraph 4-6.
  
- 4-9 As required by paragraph 4.1(d) of the Notice, a trust company shall take into account all its existing products, services, transactions and delivery channels offered as part of its enterprise-wide ML/TF risk assessment.
  
- 4-10 In assessing its overall ML/TF risks, a trust company should make its own determination as to the risk weights to be given to the individual factor or combination of factors.
  
- Singapore's National ML/TF Risk Assessment ("NRA") Report**
- 4-11 A trust company should incorporate the results of Singapore's NRA Report into its enterprise-wide ML/TF risk assessment process. When performing the enterprise-wide risk assessment, a trust company should take into account any financial or non-financial sector that has been identified as presenting higher ML/TF risks. A trust company should consider the NRA results and enterprise-wide ML/TF risk assessment results when assessing the ML/TF risks presented by trust relevant parties from specific sectors.
  
- 4-12 The NRA also identifies certain prevailing crime types as presenting higher ML/TF risks. A trust company should consider these results when assessing its enterprise-wide ML/TF risks of products, services, transactions and delivery channels and whether it is more susceptible to the higher risk prevailing crime types. Where appropriate, a trust company should also take these results into account as part of the trust company's

## **GUIDELINES TO MAS NOTICE TCA-N03 ON PREVENTION OF MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM**

ongoing monitoring of business contact with trust relevant parties and the trust company's scrutiny of transactions undertaken in the course of business contact.

### **Risk Mitigation**

- 4-13 The nature and extent of AML/CFT risk management systems and controls implemented should be commensurate with the ML/TF risks identified via the enterprise-wide ML/TF risk assessment. A trust company shall put in place adequate policies, procedures and controls to mitigate the ML/TF risks.
- 4-14 A trust company's enterprise-wide ML/TF risk assessment serves to guide the allocation of AML/CFT resources within the trust company.
- 4-15 A trust company should assess the effectiveness of its risk mitigation procedures and controls by monitoring the following:
- (a) the ability to identify changes in a trust relevant party's profile (e.g. Politically Exposed Persons status) and transactional behaviour observed in the course of its business contact with the trust relevant party;
  - (b) the potential for abuse of new business initiatives, products, practices and services for ML/TF purposes;
  - (c) the compliance arrangements (through its internal audit or quality assurance processes or external review);
  - (d) the balance between the use of technology-based or automated solutions with that of manual or people-based processes, for AML/CFT risk management purposes;
  - (e) the coordination between AML/CFT compliance and other functions of the trust company;
  - (f) the adequacy of training provided to employees and officers and awareness of the employees and officers on AML/CFT matters;
  - (g) the process of management reporting and escalation of pertinent AML/CFT issues to the trust company's senior management;
  - (h) the coordination between the trust company and regulatory or law enforcement agencies; and
  - (i) the performance of third parties relied upon by the trust company to carry out CDD measures.

## **GUIDELINES TO MAS NOTICE TCA-N03 ON PREVENTION OF MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM**

### **Documentation**

- 4-16 The documentation should include —
- (a) the enterprise-wide ML/TF risk assessment by the trust company;
  - (b) details of the implementation of the AML/CFT risk management systems and controls as guided by the enterprise-wide ML/TF risk assessment;
  - (c) the reports to senior management on the results of the enterprise-wide ML/TF risk assessment and the implementation of the AML/CFT risk management systems and controls; and
  - (d) details of the frequency of review of the enterprise-wide ML/TF risk assessment.
- 4-17 A trust company should ensure that the enterprise-wide ML/TF risk assessment and the risk assessment information are made available to the Authority upon request.

### **Frequency of Review**

- 4-18 To keep its enterprise-wide risk assessments up-to-date, a trust company should review its risk assessment at least once every two years or when material trigger events occur, whichever is earlier. Such material trigger events include, but are not limited to, the acquisition of new segments of trust relevant parties or delivery channels, or the launch of new products and services by the trust company. The results of these reviews should be documented and approved by senior management even if there are no significant changes to the trust company's enterprise-wide risk assessment.

## **GUIDELINES TO MAS NOTICE TCA-N03 ON PREVENTION OF MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM**

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### **5 Notice Paragraph 5 – New Products, Practices and Technologies**

- 5-1 International developments of new technologies to provide financial services are fast-changing and growing at an accelerated pace. A trust company shall keep abreast of such new developments and the ML/TF risks associated with them.
- 5-2 A trust company's assessment of ML/TF risks in relation to new products, practices and technologies is separate from, and in addition to, the trust company's assessment of other risks such as operational risks, legal risks or reputational risks. For example, in the assessment of ML/TF risks, a trust company should pay attention to new products, practices and technologies that deal with a trust relevant party's assets or the movement of such assets. These assessments should be approved by senior management and heads of business, risk and compliance.
- 5-3 An example of a "new delivery mechanism" as set out in paragraph 5 of the Notice is mobile services.

## **GUIDELINES TO MAS NOTICE TCA-N03 ON PREVENTION OF MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM**

### **6 Notice Paragraph 6 – Customer Due Diligence**

#### **Notice Paragraph 6.2**

#### **6-1 Where There Are Reasonable Grounds for Suspicion prior to the Establishment of Business Contact**

6-1-1 In arriving at its decision for each case, a trust company should take into account the relevant facts, including information that may be made available by the authorities and conduct a proper risk assessment.

#### **Notice Paragraphs 6.4 to 6.18**

#### **6-2 CDD Measures under Paragraphs 6.4 to 6.18**

6-2-1 Paragraph 6.4(a) of the Notice provides that where the trust is constituted before the establishment of business contact, the trust company shall identify the settlor and trustee before the provision of any trust business services. Examples of such instances are where a trustee retires and a new trust company is appointed in its place or where an existing trustee appoints a trust company for trust administration services.

6-2-2 When relying on documents, a trust company should be aware that the best documents to use to verify the identity of the trust relevant party are those most difficult to obtain illicitly or to counterfeit. These may include government-issued identity cards or passports, reports from independent company registries, published or audited annual reports and other reliable sources of information. The rigour of the verification process should be commensurate with the trust relevant party's risk profile.

6-2-3 A trust company should exercise greater caution when dealing with an unfamiliar or a new trust relevant party. Apart from obtaining the identification information required by paragraph 6.5 of the Notice, a trust company should (if not already obtained as part of its establishment of business contact) also obtain additional information on the trust relevant party's background such as occupation, employer's name, nature of business, range of annual income and whether the trust relevant party holds or has held a prominent public function. Such additional identification information enables a trust company to obtain better knowledge of its trust relevant party's risk profile, as well as the purpose and intended nature of the business contact.

## **GUIDELINES TO MAS NOTICE TCA-N03 ON PREVENTION OF MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM**

### **Notice Paragraph 6.5**

#### **6-3 Identification of Trust Relevant Party**

- 6-3-1 With respect to paragraph 6.5(c) of the Notice, a P.O. box address should only be used for jurisdictions where the residential address (e.g. street name or house number) is not applicable or available in the local context.
- 6-3-2 A trust company should obtain a trust relevant party's contact details such as personal, office or work telephone numbers.

### **Notice Paragraph 6.7**

#### **6-4 Identification of Trust Relevant Party that is a Legal Person or Legal Arrangement**

- 6-4-1 Under paragraph 6 and paragraph 8 of the Notice, a trust company is required to identify and screen all the connected parties of a trust relevant party. However, a trust company may verify their identities using a risk-based approach<sup>1</sup>. A trust company is reminded of its obligations under the Notice to identify connected parties and remain apprised of any changes to connected parties.
- 6-4-2 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 trust relevant parties.

### **Notice Paragraphs 6.8 to 6.9**

#### **6-5 Verification of Identity of Trust Relevant Party**

- 6-5-1 Paragraph 6.8(a) of the Notice provides that where the trust is constituted before the establishment of business contact, the trust company shall verify the identity of the settlor and trustee, before the provision of any trust business services. Examples of such instances are where a trustee retires and a new trust company is appointed in its place or where an existing trustee appoints a trust company for trust administration services.
- 6-5-2 Where the trust relevant party is a natural person, a trust company should obtain identification documents that contain a clear photograph of that trust relevant party.
- 6-5-3 In verifying the identity of a trust relevant party, a trust company may obtain the following documents:

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<sup>1</sup> For the guidance on SCDD measures in relation to the identification and verification of the identities of connected parties of a trust relevant party, trust companies are to refer to paragraph 7-3 of these Guidelines.

## **GUIDELINES TO MAS NOTICE TCA-N03 ON PREVENTION OF MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM**

- (a) Natural Persons —
    - (i) name, unique identification number, date of birth and nationality based on a valid passport or a national identity card that bears a photograph of the natural person; and
    - (ii) residential address based on national identity card, recent utility or telephone bill, bank statement or correspondence from a government agency;
  - (b) Legal Persons or Legal Arrangements —
    - (i) name, legal form, proof of existence and constitution based on certificate of incorporation, certificate of good standing, partnership agreement, trust deed, constitutional document, certificate of registration or any other documentation from a reliable independent source; and
    - (ii) powers that regulate and bind the legal person or arrangement based on memorandum and articles of association, and board resolution authorising the establishment of business contact and appointment of authorised signatories.
- 6-5-4 Further guidance on verification of different types of trust relevant parties (including legal persons or legal arrangements) is set out in Appendix A.
- 6-5-5 In exceptional circumstances where the trust company is unable to retain a copy of the documentation used to verify the trust relevant party's identity, the trust company should record the following:
- (a) information that the original documentation had served to verify;
  - (b) title and description of the original documentation produced to the trust company's employee or officer for verification, including any particular or unique features or condition of that documentation (e.g. whether it is worn out, or damaged);
  - (c) reasons why a copy of that documentation could not be made; and
  - (d) name of the trust company's employee or officer who carried out the verification, a statement by that employee or officer certifying verification of the information against the documentation and the date of the verification.

### **Reliability of Information and Documentation**

- 6-5-6 Where a trust company obtains data, documents or information from the trust relevant party or a third party, it should ensure that such data,

## **GUIDELINES TO MAS NOTICE TCA-N03 ON PREVENTION OF MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM**

documents or information is current at the time they are provided to the trust company.

6-5-7 Where the trust relevant party is unable to produce an original document, a trust company may consider accepting a copy of the document —

(a) that is certified to be a true copy by a suitably qualified person (e.g. a notary public, a lawyer or certified public or professional accountant); or

(b) if a trust company staff independent of the business contact with the trust relevant party has confirmed that he has sighted the original document.

6-5-8 Where a document is in a foreign language, appropriate steps should be taken by a trust company to be reasonably satisfied that the document does in fact provide evidence of the trust relevant party's identity. The trust company should ensure that any document that is critical for performance of any measures required under the Notice is translated into English by a suitably qualified translator. Alternatively, the trust company may rely on a translation of such document by a trust company staff independent of the business contact with the trust relevant party who is conversant in that foreign language. This is to allow all employees and officers of the trust company involved in the performance of any measures required under the Notice to understand the contents of the documents, for effective determination and evaluation of ML/TF risks associated with the trust relevant party.

6-5-9 The trust company should ensure that documents obtained for performing any measures under the Notice are clear and legible. This is important for the establishment of a trust relevant party's identity, particularly in situations where business contact are established without face-to-face contact.

### **Notice Paragraphs 6.10 to 6.12**

#### **6-6 Identification and Verification of Identity of Natural Person Appointed to Act on a Trust Relevant Party's Behalf**

6-6-1 Appropriate documentary evidence of a trust relevant party's appointment of a natural person to act on his behalf includes a board resolution or similar authorisation documents.

6-6-2 Where there is a long list of natural persons appointed to act on behalf of the trust relevant party (e.g. a list comprising more than 10 authorised signatories), the trust company should verify at a minimum those natural persons to whom the trust relevant party has assigned the authority to establish business contact with the trust company or to exercise power over the disposition of any property that is subject to the trust.

## **GUIDELINES TO MAS NOTICE TCA-N03 ON PREVENTION OF MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM**

### **Notice Paragraphs 6.13 to 6.17**

#### **6-7 Identification and Verification of Identity of Effective Controller**

- 6-7-1 Paragraph 6.14 of the Notice provides that where the trust is constituted before the establishment of business contact, the trust company shall verify the identities of the effective controllers before the provision of any trust business services. Examples of such instances are where a trustee retires and a new trust company is appointed in its place or where an existing trustee appoints a trust company for trust administration services.
- 6-7-2 A trust company should note that measures listed under paragraph 6.14(a)(i), (ii) and (iii) as well as paragraph 6.14(b)(i) and (ii) of the Notice are not alternative measures but are cascading measures with each to be used where the immediately preceding measure has been applied but has not resulted in the identification of an effective controller.
- 6-7-3 In relation to paragraph 6.14(a)(i) and (b)(i) of the Notice, when identifying the natural person who ultimately owns the legal person or legal arrangement, the shareholdings within the ownership structure of the legal person or legal arrangement should be considered. It may be based on a threshold (e.g. any person owning more than 25% of the legal person or legal arrangement, taking into account any aggregated ownership for companies with cross-shareholdings).
- 6-7-4 A natural person who does not meet the shareholding threshold referred to in paragraph 6-7-3 above but who controls the settlor or trustee (e.g. through exercising significant influence), is an effective controller under the Notice.
- 6-7-5 A trust company may also consider obtaining an undertaking or declaration from the settlor or trustee on the identity of, and the information relating to, the effective controller. Notwithstanding the obtaining of such an undertaking or declaration, the trust company remains responsible for complying with its obligations under the Notice to take reasonable measures to verify the identity of the effective controller by, for example, researching publicly available information on the effective controller or arranging a face-to-face meeting with the effective controller, to corroborate the undertaking or declaration provided by the settlor or trustee.
- 6-7-6 Where the settlor or trustee is not a natural person and has a complex ownership or control structure, a trust company should obtain enough information to sufficiently understand if there are legitimate reasons for such ownership or control structure.
- 6-7-7 A trust company should take particular care when dealing with settlors or trustees that are companies with bearer shares, since it will be difficult to establish the effective controllers of the settlor or trustee. For such

## **GUIDELINES TO MAS NOTICE TCA-N03 ON PREVENTION OF MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM**

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companies, a trust company should adopt procedures to establish the identities of the natural persons who own the bearer shares and ensure that the trust company is notified whenever there is a change of the natural persons who own such shares. At a minimum, these procedures should require the trust company to obtain an undertaking in writing from the natural persons who own such bearer shares stating that the trust company shall be immediately notified if the shares are transferred to another natural person, legal person or legal arrangement. Depending on its risk assessment of the settlor or trustee, the trust company may require that the bearer shares be held by a named custodian, with an undertaking from the custodian that the trust company will be notified of any changes to ownership of these shares or the named custodian.

- 6-7-8 For the purposes of paragraph 6.16 of the Notice, where the settlor or trustee is a legal person publicly listed on a stock exchange and subject to regulatory disclosure requirements relating to adequate transparency in respect of its effective controllers (imposed through stock exchange rules, law or other enforceable means), it is not necessary to identify and verify the identities of the effective controllers of the settlor or trustee.
- 6-7-9 In determining if the foreign stock exchange imposes regulatory disclosure and adequate transparency requirements, the trust company should put in place an internal assessment process with clear criteria, taking into account, amongst others, the country risk and the level of the country's compliance with the FATF standards.
- 6-7-10 Where the settlor or trustee is a majority-owned subsidiary of a publicly listed legal person, it is not necessary to identify and verify the identities of effective controllers of the settlor or trustee. However, for such a settlor or trustee, if there are other non-publicly listed legal persons who own more than 25% of the settlor or trustee or who otherwise control the settlor or trustee, the effective controllers of such non-publicly listed legal persons should be identified and verified.
- 6-7-11 A trust company is not required to inquire if there exists any effective controller in relation to a settlor or trustee that is a Singapore Government entity or a foreign government entity unless the trust company has doubts about the veracity of the CDD information, or suspects that the settlor or trustee, business contact with, or transactions undertaken for the settlor or trustee may be connected with ML/TF activities.
- 6-7-12 Similarly, a trust company is not required to inquire if there exists any effective controller in relation to a settlor or trustee that is wholly-owned or majority-owned by the Singapore Government or a foreign government. However, if there are other non-governmental effective controllers who own more than 25% of the settlor or trustee or who otherwise control the settlor or trustee, the trust company is required to identify and verify these effective controllers.

## **GUIDELINES TO MAS NOTICE TCA-N03 ON PREVENTION OF MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM**

- 6-7-13 Where a settlor or trustee is one which falls within paragraph 6.16 of the Notice, this does not in itself constitute an adequate analysis of low ML/TF risks for the purpose of performing SCDD measures under paragraph 7 of the Notice.

### **Notice Paragraph 6.18**

#### **6-8 Information on Purpose and Intended Nature of Business Contact**

- 6-8-1 The measures taken by a trust company to understand the purpose and intended nature of business contact should be commensurate with the complexity of the trust relevant party's business and risk profile. For higher risk trust relevant parties, a trust company should seek to understand upfront the expected business contact and transaction activity (e.g. types of transactions likely to pass through, expected amount for each transaction) and consider, as part of ongoing monitoring, whether the activity corresponds with the stated purpose of the business contact. This will enable a more effective ongoing monitoring of the trust relevant party's business contact and transactions.

### **Notice Paragraphs 6.19 to 6.26**

#### **6-9 Ongoing Monitoring**

- 6-9-1 Ongoing monitoring of business contact is a fundamental feature of an effective AML/CFT risk management system. Ongoing monitoring should be conducted in relation to all business contact, but the trust company may adjust the extent and depth of monitoring of a trust relevant party according to the trust relevant party's ML/TF risk profile. The adequacy of monitoring systems and the factors leading the trust company to adjust the level of monitoring should be reviewed regularly for effectiveness in mitigating the trust company's ML/TF risks.
- 6-9-2 A trust company should make further enquiries when a trust relevant party performs frequent and cumulatively large transactions without any apparent or visible economic or lawful purpose. For example, frequent transfers of funds to the same recipient over a short period of time.
- 6-9-3 Where there are indications that the risks associated with an existing business contact may have increased, the trust company should request additional information and conduct a review of the trust relevant party's risk profile in order to determine if additional measures are necessary.
- 6-9-4 A key part of ongoing monitoring includes maintaining relevant and up-to-date CDD data, documents and information so that the trust company can identify changes to the trust relevant party's risk profile —

## **GUIDELINES TO MAS NOTICE TCA-N03 ON PREVENTION OF MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM**

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- (a) for higher risk categories of trust relevant parties, a trust company should obtain updated CDD information (including updated copies of the trust relevant party's passport or identity documents if these have expired), as part of its periodic CDD review, or upon occurrence of a trigger event, whichever is earlier; and
  - (b) for all other risk categories of trust relevant parties, a trust company should obtain updated CDD information upon the occurrence of a trigger event.
- 6-9-5 Examples of trigger events are when (i) a significant transaction takes place, (ii) a material change to the trust company's business contact with a trust relevant party occurs, (iii) the trust company's policies, procedures or standards relating to the documentation of CDD information change substantially, and (iv) the trust company becomes aware that it lacks sufficient information about the trust relevant party concerned.
- 6-9-6 The frequency of CDD review may vary depending on each trust relevant party's risk profile. Higher risk trust relevant parties should be subject to more frequent periodic review (e.g. on an annual basis) to ensure that CDD information such as nationality, passport details, certificate of incumbency, ownership and control information that the trust company has previously obtained remain relevant and up-to-date.
- 6-9-5 In determining what would constitute suspicious, complex, unusually large or unusual pattern of transactions, a trust company should consider, amongst others, international typologies and information obtained from law enforcement and other authorities that may point to jurisdiction-specific considerations. As part of ongoing monitoring, a trust company should pay attention to transaction characteristics, such as —
  - (a) the nature of a transaction (e.g. abnormal size or frequency for that trust relevant party or trust relevant parties with similar profile);
  - (b) the geographic destination or origin of a transaction (e.g. to or from a higher risk country); and
  - (c) the parties concerned (e.g. a transaction to or from a person on a sanctions list).
- 6-9-6 A trust company's transaction monitoring processes or systems may vary in scope or sophistication (e.g. using manual spreadsheets to automated and complex systems). The degree of automation or sophistication of processes and systems depends on the size and complexity of the trust company's operations.
- 6-9-7 Nevertheless, the processes and systems used by the trust company should provide its business units (e.g. trust administrators) and compliance officers (including employees and officers who are tasked with conducting investigations) with timely information needed to identify, analyse and

## **GUIDELINES TO MAS NOTICE TCA-N03 ON PREVENTION OF MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM**

effectively monitor business contact and transactions with trust relevant parties for ML/TF.

- 6-9-8 The transaction monitoring processes and systems should enable the trust company to monitor multiple trust accounts of a trust relevant party holistically within a business unit and across business units to identify any suspicious transactions. In the event that a business unit discovers suspicious transactions in a trust relevant party's account, such information should be shared across their business units (e.g. SFA-approved trustee business unit and TCA-trustee business unit) to facilitate a holistic assessment of the ML/TF risks presented by the trust relevant party. Therefore, trust companies should have processes in place to share such information across business units. In addition, trust companies should perform trend analyses of transactions to identify unusual or suspicious transactions. Trust companies should also monitor transactions with parties in high risk countries or jurisdictions.
- 6-9-9 In addition, trust companies should have processes in place to monitor business contacts and transactions of related trust relevant parties holistically within and across business units, so as to better understand the risks associated with such trust relevant party groups, identify potential ML/TF risks and report suspicious transactions.
- 6-9-10 The parameters and thresholds used by a trust company to identify suspicious transactions should be properly documented and independently validated to ensure that they are appropriate to its operations and context. A trust company should periodically review the appropriateness of the parameters and thresholds used in the monitoring process.

### **Notice Paragraphs 6.27 to 6.29**

#### **6-10 CDD Measures for Non-Face-to-Face Business Contact**

- 6-10-1 A reference to "specific risks" in paragraph 6.27 of the Notice includes risks arising from establishing business contact and undertaking transactions according to instructions conveyed by trust relevant parties over the internet, post, fax or telephone. A trust company should note that applications and transactions undertaken across the internet may pose greater risks than other non-face-to-face business due to the following factors:
- (a) the ease of unauthorised access to the facility, across time zones and location;
  - (b) the ease of making multiple fictitious applications without incurring extra cost or the risk of detection;
  - (c) the absence of physical documents; and

## **GUIDELINES TO MAS NOTICE TCA-N03 ON PREVENTION OF MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM**

- (d) the speed of electronic transactions,  
that may, taken together, aggravate the ML/TF risks.
- 6-10-2 The measures taken by a trust company for verification of an identity in respect of non-face-to-face business contact with or transactions for the trust relevant party will depend on the nature and characteristics of the product or service provided and the trust relevant party's risk profile.
- 6-10-3 Where verification of identity is performed without face-to-face contact (e.g. electronically), a trust company should apply additional checks to manage the risk of impersonation. The additional checks may consist of robust anti-fraud checks that the trust company routinely undertakes as part of its existing procedures, which may include —
- (a) telephone contact with the trust relevant party at a residential or business number that can be verified independently;
  - (b) confirmation of the trust relevant party's address through an exchange of correspondence or other appropriate method;
  - (c) subject to the trust relevant party's consent, telephone confirmation of employment status with the his employer's human resource department at a listed business number of the employer;
  - (d) confirmation of the trust relevant party's salary details by requiring the presentation of recent bank statements, where applicable; or
  - (e) provision of certified identification documents by lawyers or notaries public.

### **Notice Paragraph 6.30**

#### **6-11 Reliance by Acquiring Trust Company on Measures Already Performed**

- 6-11-1 When a trust company acquires the business of another financial institution ("FI"), either in whole or in part, it is not necessary for the identity of all existing trust relevant parties to be verified again, provided that the requirements of paragraph 6.30 of the Notice are met. A trust company shall maintain proper records of its due diligence review performed on the acquired business.
- 6-11-2 Notwithstanding the reliance on identification and verification that has already been performed, an acquiring trust company is responsible for its obligations under the Notice.

## **GUIDELINES TO MAS NOTICE TCA-N03 ON PREVENTION OF MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM**

6-11-3 When a trust company acquires the business of another FI, either in whole or in part, the trust company is reminded that in addition to complying with paragraph 6.30 of the Notice, it is also required to comply with ongoing monitoring requirements set out in paragraphs 6.19 to 6.26 of the Notice.

### **Notice Paragraph 6.33**

#### **6-12 Existing Trust Relevant Parties**

6-12-1 In relation to trust accounts of trust relevant parties which pre-date the coming into force of the current Notice, the trust company should prioritise the remediation of higher risk trust relevant parties.

6-12-2 In taking into account any previous measures as referred to in paragraph 6.33 of the Notice, a trust company should consider whether —

- (a) there has been any significant transaction undertaken, since the measures were last performed, having regard to the manner in which the business contact with the trust relevant party is conducted;
- (b) there is a material change, since the measures were last performed, in the way that business contacts with the trust relevant party are conducted;
- (c) it lacks adequate identification information on a trust relevant party; and
- (d) there is a change in the ownership or control of the trust relevant party, or the persons authorised to act on behalf of the trust relevant party in its business contact with the trust company.

### **Notice Paragraphs 6.34 to 6.36**

#### **6-13 Screening**

6-13-1 Paragraph 6.35(a) of the Notice provides that where the trust is constituted before the establishment of business contact, the trust company shall screen the persons referred to in paragraph 6.34 of the Notice before the provision of any trust business. Examples of such instances are where a trustee retires and a new trust company is appointed in its place or where an existing trustee appoints a trust company for trust administration services.

6-13-2 Screening is intended to be a preventive measure. A trust company is reminded that all parties identified pursuant to the Notice are required to be screened, irrespective of the risk profile of the trust relevant party.

6-13-3 Where screening results in a positive hit against sanctions lists, a trust company is reminded of its obligations to freeze without delay and without

## **GUIDELINES TO MAS NOTICE TCA-N03 ON PREVENTION OF MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM**

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prior notice, the funds or other assets of designated persons and entities that it has control over, so as to comply with applicable laws and regulations in Singapore, including the TSOFA and MAS Regulations issued under section 27A of the Monetary Authority of Singapore Act (Cap. 186) (“MAS Act”) relating to sanctions and freezing of assets of persons. Any such assets should be reported promptly to the relevant authorities and a Suspicious Transaction Report (“STR”) should be filed.

- 6-13-4 A trust company should put in place policies, procedures and controls that clearly set out —
- (a) the ML/TF information sources used by the trust company for screening (including commercial databases used to identify adverse information on individuals and entities, individuals and entities covered under MAS Regulations issued pursuant to section 27A of the MAS Act, individuals and entities identified by other sources such as the trust company’s head office or parent supervisory authority, lists and information provided by the Authority and relevant authorities in Singapore);
  - (b) the roles and responsibilities of the trust company’s employees involved in the screening, reviewing and dismissing of alerts, maintaining and updating of the various screening databases and escalating hits;
  - (c) the frequency of review of such policies, procedures and controls;
  - (d) the frequency of periodic screening;
  - (e) how apparent matches from screening are to be resolved by the trust company’s employees, including the process for determining that an apparent match is a positive hit and for dismissing an apparent match as a false hit; and
  - (f) the steps to be taken by the trust company’s employees for reporting positive hits to the trust company’s senior management and to the relevant authorities.
- 6-13-5 The level of automation used in the screening process should take into account the nature, size and risk profile of a trust company’s business. A trust company should be aware of any shortcomings in its automated screening systems. In particular, it is important to consider “fuzzy matching” to identify non-exact matches. The trust company should ensure that the fuzzy matching process is calibrated to the risk profile of its business. As application of the fuzzy matching process is likely to result in the generation of an increased number of apparent matches which have to be checked, the trust company’s employees will need to have access to CDD information to enable them to exercise their judgment in identifying true hits.

## **GUIDELINES TO MAS NOTICE TCA-N03 ON PREVENTION OF MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM**

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- 6-13-6 A trust company should be aware that performing screening after business contact has been established could lead to a breach of the relevant laws and regulations in Singapore relating to sanctioned parties. When the trust company becomes aware of such breaches, it should immediately take the necessary actions and inform the relevant authorities.
- 6-13-7 In screening periodically as required by paragraph 6.35(d) of the Notice, a trust company should pay particular attention to changes in the status (e.g. whether the trust relevant party has over time become subject to prohibitions and sanctions) or risks (e.g. a connected party of a trust relevant party, an effective controller of a settlor, an effective controller of a trustee or a natural person appointed to act on behalf of the trust relevant party subsequently becomes a Politically Exposed Person or presents higher ML/TF risks, or a trust relevant party subsequently becomes a Politically Exposed Person or presents higher ML/TF risks) of a trust relevant party and assess whether to subject the trust relevant party to the appropriate ML/TF risk mitigation measures (e.g. enhanced CDD measures).
- 6-13-8 A trust company should ensure that the identification information of a trust relevant party, a connected party of the trust relevant party, a natural person appointed to act on behalf of the trust relevant party, an effective controller of a settlor and an effective controller of a trustee is entered into the trust company's database of trust relevant parties for periodic name screening purposes. This will help the trust company to promptly identify any existing trust relevant parties who have become higher risk parties.
- 6-13-9 In determining the frequency of periodic name screening, a trust company should consider its trust relevant party's risk profile.
- 6-13-10 The trust company should ensure that it has adequate arrangements to perform screening of the trust company's database of trust relevant parties when there are changes to the lists of sanctioned individuals and entities covered by the TSOFA, MAS Regulations issued under section 27A of the MAS Act<sup>2</sup> and MAS Notice MA-N-EXT 1/2012 ("Prohibition on Transactions with the Iranian Government and with Iranian Financial Institutions"). The trust company should implement "four-eye checks" on alerts from sanctions reviews before closing an alert, or conduct quality assurance checks on the closure of such alerts on a sample basis.

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<sup>2</sup> Please refer to the following link for the relevant MAS ML/TF Regulations - <http://www.mas.gov.sg/Regulations-and-Financial-Stability/Anti-Money-Laundering-Countering-The-Financing-Of-Terrorism-And-Targeted-Financial-Sanctions/Targeted-Financial-Sanctions/MAS-Regulations.aspx>

## **GUIDELINES TO MAS NOTICE TCA-N03 ON PREVENTION OF MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM**

### **7 Notice Paragraph 7 – Simplified Customer Due Diligence**

- 7-1 Paragraph 7.1 of the Notice permits a trust company to adopt a risk-based approach in assessing the necessary measures to be performed, and to perform appropriate SCDD measures in cases where the trust company is satisfied, upon analysis of risks, that the ML/TF risks are low.
- 7-2 Where a trust company applies SCDD measures, it is still required to perform ongoing monitoring of business contact under the Notice.
- 7-3 Under SCDD, a trust company may adopt a risk-based approach in assessing whether any measures should be performed for connected parties of the trust relevant parties.
- 7-4 Where a trust company is satisfied that the risks of money laundering and terrorism financing are low, a trust company may perform SCDD measures. Examples of possible SCDD measures include —
- (a) reducing the frequency of updates of trust relevant party identification information;
  - (b) reducing the degree of ongoing monitoring and scrutiny of transactions, based on a reasonable monetary threshold; or
  - (c) choosing another method to understand the purpose and intended nature of business contact by inferring this from the type of transactions or business contact to be established, instead of collecting information as to the purpose and intended nature of business contact.
- 7-5 Subject to the requirement that a trust company's assessment of low ML/TF risks is supported by an adequate analysis of risks, examples of potentially lower ML/TF risk situations include —
- (a) Trust relevant party risk
    - (i) a Singapore Government entity;
    - (ii) entities listed on a stock exchange and subject to regulatory disclosure requirements relating to adequate transparency in respect of effective controllers (imposed through stock exchange rules, law or other enforceable means);
    - (iii) an FI incorporated or established outside Singapore that is subject to and supervised for compliance with AML/CFT requirements consistent with standards set by the FATF.

## **GUIDELINES TO MAS NOTICE TCA-N03 ON PREVENTION OF MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM**

### **8 Notice Paragraph 8 – Enhanced Customer Due Diligence**

8-1 Where the ML/TF risks are identified to be higher, a trust company shall take enhanced CDD (“ECDD”) measures to mitigate and manage those risks.

8-2 Examples of potentially higher risk categories under paragraph 8.7 of the Notice include —

(a) Trust relevant party risk

- (i) trust relevant parties from higher risk businesses / activities / sectors identified in Singapore’s NRA, as well as other higher risk businesses / activities / sectors identified by the trust company;
- (ii) the ownership structure of the legal person or arrangement appears unusual or excessively complex given the nature of the legal person’s or legal arrangement’s business;
- (iii) legal persons or legal arrangements that are personal asset holding vehicles;
- (iv) the business contact is conducted under unusual circumstances (e.g. the amount or source of the asset injection is not in line with the knowledge of the settlor, the nature of the business contact, and the mandate of the trust);
- (v) companies that have nominee shareholders or shares in bearer form; and
- (vi) cash-intensive businesses.

(b) Country or geographic risk

- (i) countries or jurisdictions the trust company is exposed to, either through its own activities (including where its branches and subsidiaries operate in) or the activities of its trust relevant parties, which have relatively higher levels of corruption, organised crime or inadequate AML/CFT measures, as identified by the FATF; and
- (ii) countries identified by credible bodies (e.g. reputable international bodies such as Transparency International) as having significant levels of corruption, terrorism financing or other criminal activity.

## **GUIDELINES TO MAS NOTICE TCA-N03 ON PREVENTION OF MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM**

- (c) Product, service, transaction or delivery channel risk
    - (i) anonymous transactions (which may involve cash); and
    - (ii) frequent transactions with unknown or un-associated third parties;
- 8-3 When considering the ML/TF risks presented by a country or jurisdiction, a trust company should take into account, where appropriate, variations in ML/TF risks across different regions or areas within a country.

### **Notice Paragraph 8.1**

#### **8-4 Politically Exposed Persons (“PEPs”) Definitions**

- 8-4-1 The definitions in paragraph 8.1 of the Notice are drawn from the FATF Recommendations. The definition of PEPs is not intended to cover middle-ranking or more junior individuals in the categories listed.
- 8-4-2 In the context of Singapore, domestic PEPs should include at least all Government Ministers, Members of Parliament, Nominated Members of Parliament and Non-Constituency Members of Parliament.
- 8-4-3 When determining whether a person is a “close associate” of a PEP, the trust company may consider factors such as the level of influence the PEP has on such a person or the extent of his exposure to the PEP. The trust company may rely on information available from public sources and information obtained through its interaction with a trust relevant party.
- 8-4-4 With reference to paragraph 8.1 of the Notice, examples of an “international organisation” include the United Nations and affiliated agencies such as the International Maritime Organisation and the International Monetary Fund; regional international organisations such as the Asian Development Bank, Association of Southeast Asian Nations Secretariat, institutions of the European Union, the Organisation for Security and Cooperation in Europe; military international organisations such as the North Atlantic Treaty Organisation; and economic organisations such as the World Trade Organisation or the Asia-Pacific Economic Cooperation Secretariat.
- 8-4-5 Examples of persons who are or have been entrusted with prominent functions by an international organisation are members of senior management such as directors, deputy directors and members of the board or equivalent functions. Other than relying on information from a trust relevant party, the trust company may consider information from public sources in determining whether a person has been or is entrusted with prominent functions by an international organisation.

## **GUIDELINES TO MAS NOTICE TCA-N03 ON PREVENTION OF MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM**

### **Notice Paragraphs 8.2 to 8.4**

#### **8-5 PEPs**

- 8-5-1 If a trust company determines that any natural person appointed to act on behalf of a trust relevant party or any connected party of a trust relevant party is a PEP, the trust company should assess the ML/TF risks presented and consider factors such as the level of influence that the PEP has on the trust relevant party. Trust companies should consider factors such as whether the PEP is able to exercise substantial influence over the trust relevant party, to determine the overall ML/TF risks presented by the trust relevant party. Where the trust relevant party presents higher ML/TF risks, the trust company should apply ECDD measures on the trust relevant party accordingly.
- 8-5-2 It is generally acceptable for a trust company to refer to commercially available databases to identify PEPs. However, a trust company should also obtain from the trust relevant party details of his occupation and the name of his employer. In addition, a trust company should consider other non-public information that the trust company is aware of. A trust company shall exercise sound judgment in identifying any PEP, having regard to the risks and the circumstances.
- 8-5-3 In relation to paragraph 8.3(a) of the Notice, the approval shall be obtained from senior management. Inputs should also be obtained from the trust company's AML/CFT compliance function.
- 8-5-4 In relation to paragraph 8.3(b) of the Notice, a trust company may refer to information sources such as asset and income declarations, which some jurisdictions expect certain senior public officials to file and which often include information about an official's source of wealth and current business interests. A trust company should note that not all declarations are publicly available. A trust company should also be aware that certain jurisdictions impose restrictions on their PEPs' ability to hold foreign bank accounts, to hold other office or paid employment.
- 8-5-5 Source of wealth generally refers to the origin of the trust relevant party's and effective controller's entire body of wealth (i.e. total assets). This relates to how the trust relevant party and effective controller have acquired the wealth which is distinct from identifying the assets that they own. Source of wealth information should give an indication about the size of wealth the trust relevant party and effective controller would be expected to have, and how the trust relevant party and effective controller acquired the wealth. Although the trust company may not have specific information about assets that are not injected with or processed by the trust company, it may be possible to obtain general information from the trust relevant party, commercial databases or other open sources. Examples of appropriate and reasonable means of establishing source of wealth are information and

## **GUIDELINES TO MAS NOTICE TCA-N03 ON PREVENTION OF MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM**

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- documents such as evidence of title, copies of trust deeds, audited accounts, salary details, tax returns and bank statements.
- 8-5-6 Source of funds refers to the origin of the particular funds or other assets which are the subject of the establishment of business contact (e.g. the amounts being injected as part of the business contact). In order to ensure that the funds are not proceeds of crime, the trust company should not limit its source of funds inquiry to identifying the other FI from which the funds have been transferred, but more importantly, the activity that generated the funds. The information obtained should be substantive and facilitate the establishment of the provenance of the funds or reason for the funds having been acquired. Examples of appropriate and reasonable means of establishing source of funds are information such as salary payments or sale proceeds.
- 8-5-7 Based on its risk assessment of the PEP, a trust company should consider whether the information regarding source of wealth and source of funds should be corroborated. In relation to paragraph 8.3(b) of the Notice, examples of “appropriate and reasonable means” for establishing source of wealth or source of funds are financial statements of the legal person or legal arrangement owned or controlled by the PEP, site visits, a copy of the will (in cases where the source of wealth or funds is an inheritance), and conveyancing documents (in cases where the source of wealth or funds is a sale of property).
- 8-5-8 In relation to paragraph 8.3 of the Notice, other ECDD measures that may be performed include —
- (a) requiring the first injection to be carried out through an account in the trust relevant party’s name with another FI subject to similar or equivalent CDD standards;
  - (b) using public sources of information (e.g. websites) to gain a better understanding of the reputation of the trust relevant party or any effective controller of a settlor or trustee. Where the trust company finds information containing allegations of wrongdoing by a trust relevant party or an effective controller of a settlor or trustee, the trust company should assess how this affects the level of risk associated with the business contact;
  - (c) commissioning external intelligence reports where it is not possible for a trust company to easily obtain information through public sources or where there are doubts about the reliability of public information.
- 8-5-9 In relation to paragraph 8.4(a) and (b) of the Notice, where the trust company assesses that the business contact or transactions with a domestic PEP or an international organisation PEP do not present higher ML/TF risks and that therefore ECDD measures need not be applied, the trust company shall nevertheless apply measures under paragraph 6 of the Notice on the trust relevant party. However, where changes in events,

## **GUIDELINES TO MAS NOTICE TCA-N03 ON PREVENTION OF MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM**

circumstances or other factors lead to the trust company's assessment that the business contact or transactions with the trust relevant party present higher ML/TF risks, the trust company should review its risk assessment and apply ECDD measures.

- 8-5-10 While domestic PEPs and international organisation PEPs may be subject to a risk-based approach, it does not preclude such persons from presenting the same ML/TF risks as a foreign PEP.
- 8-5-11 With reference to paragraph 8.4(c) of the Notice, while the time elapsed since stepping down from a prominent public function is a relevant factor to consider when determining the level of influence a PEP continues to exercise, it should not be the sole determining factor. Other risk factors that the trust company should consider are –
- (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).

### **Notice Paragraphs 8.5 to 8.8**

#### **8-6 Other Higher Risk Categories**

- 8-6-1 In relation to paragraph 8.7 of the Notice, a trust company may refer to the preceding paragraph 8-5-8 of these Guidelines for further guidance on the ECDD measures to be performed.
- 8-6-2 For trust relevant parties highlighted in paragraph 8.6(a) of the Notice, a trust company shall assess them as presenting higher ML/TF risks. For such trust relevant parties, the trust company shall ensure that the ECDD measures performed are commensurate with the risks. For trust relevant parties highlighted in paragraph 8.6(b) of the Notice, a trust company shall assess whether any such trust relevant party presents a higher risk for ML/TF and ensure that the measures under paragraph 6 of the Notice, or ECDD measures where the trust company assesses the trust relevant party to present a higher risk for ML/TF, performed are commensurate with the risk.
- 8-6-3 With reference to paragraph 8.6(a) of the Notice, a trust company should refer to the FATF Public Statement on High Risk and Non-Cooperative Jurisdictions on which the FATF has called for counter-measures<sup>3</sup>. The

<sup>3</sup> <http://www.fatf-gafi.org/topics/high-riskandnon-cooperativejurisdictions/>

## **GUIDELINES TO MAS NOTICE TCA-N03 ON PREVENTION OF MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM**

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FATF updates this Public Statement on a periodic basis and trust companies should regularly refer to the FATF website for the latest updates<sup>4</sup>.

- 8-6-4 For private banking business which inherently presents higher ML/TF risks, a trust company should, regardless of the trust company's internal risk classification of the trust relevant party, refer to the sound practices highlighted in the MAS Information Paper, "Guidance on Private Banking Controls"<sup>5</sup>. Such practices include ensuring that —
- (a) information obtained on the source of wealth of the trust relevant parties and effective controllers should be independently corroborated against documentary evidence or public information sources;
  - (b) parties screened should include operating companies and individual benefactors contributing to the trust relevant party's and effective controller's wealth / funds;
  - (c) the trust company conducts periodic reviews of such trust relevant parties; and
  - (d) where the trust company is aware of trust relevant parties having a common effective controller, the trust company should scrutinise the business contact and transactions of these trust relevant parties holistically to better identify suspicious, complex, unusually large or unusual patterns of transactions, and perform periodic reviews on a consolidated basis.
- 8-6-5 For the purposes of paragraph 8.8 of the Notice, regulations issued by the Authority include the Regulations relating to the freezing of assets of persons and sanctioning of persons.
- 8-6-6 With regard to tax and other serious crimes, as a preventive measure, trust companies are expected to reject a prospective trust relevant party where there are reasonable grounds to suspect that the trust relevant party's assets are the proceeds of serious crimes, including wilful and fraudulent tax evasion. Where there are grounds for suspicion during the course of business contact with a trust relevant party, trust companies should conduct enhanced monitoring and where appropriate, discontinue the business contact. If the trust company is inclined to continue business contact with the trust relevant party, approval shall be obtained from senior management with the substantiating reasons properly documented, and the business contact subjected to close monitoring and commensurate risk mitigation measures. This requirement applies to serious foreign tax

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<sup>4</sup> [The link to the FATF website is as follows: http://www.fatf-gafi.org/](http://www.fatf-gafi.org/)

<sup>5</sup> <http://www.mas.gov.sg/news-and-publications/monographs-and-information-papers/2014/guidance-on-private-banking-controls.aspx>

## **GUIDELINES TO MAS NOTICE TCA-N03 ON PREVENTION OF MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM**

offences, even if the foreign offence is in relation to the type of tax for which an equivalent obligation does not exist in Singapore. Examples of tax crime related suspicious transactions are set out in Appendix B of these Guidelines.

## **GUIDELINES TO MAS NOTICE TCA-N03 ON PREVENTION OF MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM**

### **9 Notice Paragraph 9 – Reliance on Third Parties**

- 9-1 Paragraph 9 does not apply to outsourcing. Third party reliance under paragraph 9 of the Notice is different from an outsourcing arrangement or agreement.
- 9-2 In a third party reliance scenario, the third party will typically have an existing relationship with the trust relevant party that is independent of the business contact to be formed by the trust relevant party with the relying trust company. The third party will therefore perform the CDD measures on the trust relevant party according to its own AML/CFT policies, procedures and controls.
- 9-3 In contrast to a third party reliance scenario, the outsourced service provider performs the CDD measures (e.g. performs centralised transaction monitoring functions) on behalf of the trust company, in accordance with the trust company's AML/CFT policies, procedures and standards, and is subject to the trust company's control measure to effectively implement the trust company's AML/CFT procedures.
- 9-4 The trust company may take a variety of measures, where applicable, to satisfy the requirements in paragraphs 9.2(a) and 9.2(b) of the Notice, including —
- (a) referring to any independent and public assessment of the overall AML/CFT regime to which the third party is subject, such as the FATF or FSRBs' Mutual Evaluation reports and the IMF / World Bank Financial Sector Assessment Programme Reports / Reports on the Observance of Standards and Codes;
  - (b) referring to any publicly available reports or material on the quality of that third party's compliance with applicable AML/CFT rules;
  - (c) obtaining professional advice as to the extent of AML/CFT obligations to which the third party is subject to with respect to the laws of the jurisdiction in which the third party operates;
  - (d) examining the AML/CFT laws in the jurisdiction where the third party operates and determining its comparability with the AML/CFT laws of Singapore;
  - (e) reviewing the policies and procedures of the third party.
- 9-5 The reference to "documents" in paragraph 9.2(d) of the Notice includes a reference to the underlying CDD-related documents and records obtained by the third party to support the CDD measures performed (e.g. copies of identification information, CDD/Know Your Customer forms). Where these documents and records are kept by the third party, the trust company

## **GUIDELINES TO MAS NOTICE TCA-N03 ON PREVENTION OF MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM**

should obtain an undertaking from the third party to keep all underlying CDD-related documents and records for at least five years following the termination of the trust company's business contact with the trust relevant party or completion of transactions undertaken.

- 9-6 Paragraph 9.3 of the Notice prohibits the trust company from relying on the third party to carry out ongoing monitoring. Paragraph 9.3 of the Notice should be read with the ongoing monitoring requirements in Part (VI) of paragraph 6 of the Notice.
- 9-7 For the avoidance of doubt, paragraph 9 of the Notice does not apply to the outsourcing of the on-going monitoring process by a trust company, including to its parent entity, branches and subsidiaries. A trust company may outsource the first-level review of alerts from the transaction monitoring systems, or sanctions reviews, to another party. However, the trust company remains responsible for complying with ongoing monitoring requirements under the Notice.

## **GUIDELINES TO MAS NOTICE TCA-N03 ON PREVENTION OF MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM**

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### **12 Notice Paragraph 12 – Suspicious Transactions Reporting**

- 12-1 A trust company should ensure that the internal process for evaluating whether a matter should be referred to the Suspicious Transaction Reporting Office (“STRO”) via an STR is completed without delay and should not exceed 15 business days of the case being referred by the relevant trust company employee or officer, unless the circumstances are exceptional or extraordinary.
- 12-2 A trust company should note that an STR filed with STRO would also meet the reporting obligations under the TSOFA.
- 12-3 Examples of suspicious transactions are set out in Appendix B of these Guidelines. These examples are not intended to be exhaustive and are only examples of the most basic ways in which money may be laundered or used for TF purposes. Identification of suspicious transactions should prompt further enquiries and where necessary, investigations into the source of funds. A trust company should also consider filing an STR if there is any adverse news on its trust relevant parties in relation to financial crimes. A transaction or activity may not be suspicious at the time, but if suspicions are raised later, an obligation to report then arises.
- 12-4 Once suspicion has been raised in relation to a trust relevant party or any transaction for that trust relevant party, in addition to reporting the suspicious activity, a trust company should ensure that appropriate action is taken to adequately mitigate the risk of the trust company being used for ML/TF activities. This may include strengthening its AML/CFT processes. This may also include a review of either the risk classification of the trust relevant party, or the business contact with the trust relevant party. Appropriate action should be taken, including escalating the issue to the appropriate decision making level, taking into account any other relevant factors, such as cooperation with law enforcement agencies.
- 12-5 STR reporting templates are available on CAD’s website<sup>6</sup>. However, trust companies are strongly encouraged to use the online system provided by STRO to lodge STRs. In the event that the trust company is of the view that STRO should be informed on an urgent basis, particularly where a transaction is known to be part of an ongoing investigation by the relevant authorities, the trust company should give initial notification to STRO by telephone or email and follow up with such other means of reporting as STRO may direct.
- 12-6 A trust company should document all transactions that have been brought to the attention of its AML/CFT compliance function, including transactions that are not reported to STRO. To ensure that there is proper accountability for decisions made, the basis for not submitting STRs for any suspicious

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<sup>6</sup> The website address as at 24 April 2015: <http://www.cad.gov.sg/aml-cft/suspicious-transaction-reporting-office/suspicious-transaction-reporting>.

## **GUIDELINES TO MAS NOTICE TCA-N03 ON PREVENTION OF MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM**

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transactions escalated by its employees and officers should be properly substantiated and documented.

- 12-7 Trust companies are reminded to read paragraph 12.4 of the Notice together with paragraphs 6.31 and 6.32 of the Notice. Where a trust company stops performing CDD measures as permitted under paragraph 12.4 and is, as a result, unable to complete CDD measures (as specified under paragraph 6.32), the trust company is reminded that it shall not commence or continue business contact with that trust relevant party or undertake any transaction for that trust relevant party.

## **GUIDELINES TO MAS NOTICE TCA-N03 ON PREVENTION OF MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM**

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### **13 Notice Paragraph 13 – Internal Policies, Compliance, Audit and Training**

- 13-1 As internal policies and procedures serve to guide employees and officers in ensuring compliance with AML/CFT laws and regulations, it is important that a trust company updates its policies and procedures in a timely manner, to take into account new operational, legal and regulatory developments and emerging or new ML/TF risks.

#### **Notice Paragraphs 13.3 to 13.9**

##### **13-2 Group Policy**

- 13-2-1 For the avoidance of doubt, Singapore branches of trust companies incorporated outside Singapore need not comply with paragraphs 13.3 to 13.9 of the Notice. Paragraphs 13.3 to 13.9 of the Notice are intended to be applied by a trust company incorporated in Singapore to its branches and subsidiaries, but not to its parent entity and the trust company's other related corporations.

- 13-2-2 In relation to paragraph 13.6 of the Notice, examples of the types of information that should be shared within the financial group for risk management purposes are positive name matches arising from screening performed against ML/TF information sources, a list of trust relevant parties who have been exited by the trust company, its branches and subsidiaries based on suspicion of ML/TF and names of parties on whom STRs have been filed. Such information should be shared by a branch or subsidiary of a trust company incorporated in Singapore with the trust company's group level compliance, audit, and AML/CFT functions (whether in or outside Singapore), for risk management purposes.

#### **Notice Paragraphs 13.10 and 13.11**

##### **13-3 Compliance**

- 13-3-1 A trust company should ensure that the AML/CFT compliance officer has the necessary seniority and authority within the trust company to effectively perform his responsibilities.
- 13-3-2 The responsibilities of the AML/CFT compliance officer should include —
- (a) carrying out, or overseeing the carrying out of, ongoing monitoring of business contact and sample review of trust accounts for compliance with the Notice and these Guidelines;

## **GUIDELINES TO MAS NOTICE TCA-N03 ON PREVENTION OF MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM**

- (b) promoting compliance with the Notice and these Guidelines, as well as MAS Regulations issued under section 27A of the MAS Act, and taking overall charge of all AML/CFT matters within the organisation;
  - (c) informing employees and officers promptly of regulatory changes;
  - (d) ensuring a speedy and appropriate reaction to any matter in which ML/TF is suspected;
  - (e) reporting, or overseeing the reporting of, suspicious transactions;
  - (f) advising and training employees and officers on developing and implementing internal policies, procedures and controls on AML/CFT;
  - (g) reporting to senior management on the outcome of reviews of the trust company's compliance with the Notice and these Guidelines, as well as MAS Regulations issued under section 27A of the MAS Act and risk assessment procedures; and
  - (h) reporting regularly on key AML/CFT risk management and control issues (including information outlined in paragraph 1-4-14 of the Guidelines), and any necessary remedial actions, arising from audit, inspection, and compliance reviews, to the trust company's senior management, and in the case of locally incorporated trust companies, to the board of directors, at least annually and as and when needed.
- 13-3-3 The business interests of a trust company should not interfere with the effective discharge of the above-mentioned responsibilities of the AML/CFT compliance officer, and potential conflicts of interest should be avoided. To enable unbiased judgments and facilitate impartial advice to management, the AML/CFT compliance officer should, for example, be distinct from the internal audit and business line functions. Where any conflicts between business lines and the responsibilities of the AML/CFT compliance officer arise, procedures should be in place to ensure that AML/CFT concerns are objectively considered and addressed at the appropriate level of the trust company's management.

### **Notice Paragraph 13.12**

#### **13-4 Audit**

- 13-4-1 A trust company's AML/CFT framework should be subject to periodic audits (including sample testing). Such audits should be performed not just on individual business functions but also on a company-wide basis. Auditors should assess the effectiveness of measures taken to prevent ML/TF. This would include, among others —

## **GUIDELINES TO MAS NOTICE TCA-N03 ON PREVENTION OF MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM**

- (a) determining the adequacy of the trust company's AML/CFT policies, procedures and controls, ML/TF risk assessment framework and application of risk-based approach;
  - (b) reviewing the content and frequency of AML/CFT training programmes, and the extent of employees' and officers' compliance with established AML/CFT policies and procedures; and
  - (c) assessing whether instances of non-compliance are reported to senior management on a timely basis.
- 13-4-2 The frequency and extent of the audit should be commensurate with the ML/TF risks presented and the size and complexity of the trust company's business.

### **Notice Paragraph 13.13**

#### **13-5 Employee Hiring**

- 13-5-1 The screening procedures applied when a trust company in Singapore hires employees and appoints officers should include —
- (a) background checks with past employers;
  - (b) screening against ML/TF information sources; and
  - (c) bankruptcy searches.
- 13-5-2 In addition, a trust company should conduct credit history checks, on a risk-based approach, when hiring employees and appointing officers.

### **Notice Paragraph 13.14**

#### **13-6 Training**

- 13-6-1 As stated in paragraph 13.14 of the Notice, it is a trust company's responsibility to provide adequate training for its employees and officers so that they are adequately trained to implement its AML/CFT policies and procedures. The scope and frequency of training should be tailored to the specific risks faced by the trust company and pitched according to the job functions, responsibilities and experience of the employees and officers. New employees and officers should be required to attend training as soon as possible after being hired or appointed.
- 13-6-2 Apart from the initial training, a trust company should also provide refresher training at least once every two years, or more regularly as appropriate, to ensure that employees and officers are reminded of their responsibilities

## **GUIDELINES TO MAS NOTICE TCA-N03 ON PREVENTION OF MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM**

and are kept informed of new developments related to ML/TF. A trust company should maintain the training records for audit purposes.

- 13-6-3 A trust company should monitor the effectiveness of the training provided to its employees. This may be achieved by —
- (a) testing employees' understanding of the trust company's policies and procedures to combat ML/TF, their obligations under relevant laws and regulations, and their ability to recognise suspicious transactions;
  - (b) monitoring employees' compliance with the trust company's AML/CFT policies, procedures and controls as well as the quality and quantity of internal reports so that further training needs may be identified and appropriate action taken; and
  - (c) monitoring attendance and following up with employees who miss such training without reasonable cause.

# **GUIDELINES TO MAS NOTICE TCA-N03 ON PREVENTION OF MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM**

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## **I Other Key Topics - Guidance to Trust Companies on Proliferation Financing**

### **I-1 Overview**

- I-1-1 MAS issues Regulations under section 27A of the MAS Act in order to discharge or facilitate the discharge of any obligation binding on Singapore by virtue of a United Nations Security Council Resolution (“UNSCR”)<sup>7</sup>. These Regulations apply to all FIs (including trust companies) regulated by MAS and generally impose financial sanctions on designated persons.
- I-1-2 Specifically, a UNSCR may designate certain individuals and entities involved in the proliferation of weapons of mass destruction and its financing. The relevant information and full listings of persons designated by UNSCRs can be found on the UN website<sup>8</sup>.
- I-1-3 MAS has given effect to UNSCRs as listed by the FATF Recommendations (2012) to be relevant to combating proliferation financing, by issuing Regulations. Examples of such Regulations are the MAS (Sanctions and Freezing of Assets of Persons – Iran) Regulations 2007, MAS (Freezing of Assets of Persons – Democratic People’s Republic of Korea) Regulations 2009 and MAS (Sanctions – Democratic People’s Republic of Korea) Regulations 2009.
- I-1-4 A trust company should rely on its CDD measures (including screening measures) under the Notice to detect and prevent proliferation financing activities and transactions.
- I-1-5 A trust company should also ensure compliance with legal instruments issued by MAS relating to proliferation financing risks. An example is the MAS Notice on Prohibition on Transactions with the Iranian Government and with Iranian Financial Institutions as well as circulars issued by MAS relating to proliferation financing risks.

### **I-2 CDD and Internal Controls**

- I-2-1 It is important to ensure that name screening by a trust company, as required under the Notice, is performed against the latest UN listings as they are updated from time to time. A trust company should have in place policies, procedures and controls to continuously monitor the listings and take necessary follow-up action within a reasonable period of time, as required under the applicable laws and regulations.

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<sup>7</sup> Please refer to the MAS website for a full listing of Regulations issued by MAS pursuant to the United Nations Security Council Resolutions.

<sup>8</sup> Please see: <http://www.un.org/sc/committees/1718> and <http://www.un.org/sc/committees/1737>.

## **GUIDELINES TO MAS NOTICE TCA-N03 ON PREVENTION OF MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM**

I-2-2 A trust company should also have policies and procedures to detect attempts by its employees or officers to circumvent the applicable laws and regulations (including MAS Regulations) such as structuring transactions with the purpose of concealing the involvement of designated persons.

I-2-3 A trust company should have policies and procedures to prevent such attempts, and take appropriate measures against such employees and officers.

### **I-3 Obligation of Trust Company to Freeze without Delay**

I-3-1 A trust company is reminded of its obligations under the MAS Regulations issued under section 27A of the MAS Act<sup>9</sup> to immediately freeze any funds, financial assets or economic resources owned or controlled, directly or indirectly, by designated persons that the trust company has in its possession, custody or control. The trust company should also file an STR in such cases.

### **I-4 Potential Indicators of Proliferation Financing**

I-4-1 A trust company should develop indicators that would alert it to trust relevant parties and transactions (actual or proposed) that are possibly associated with proliferation financing-related activities, including indicators such as whether —

- (a) the trust relevant party is vague and resistant to providing additional information when asked;
- (b) the trust relevant party's activity does not match its business profile or the end-user information does not match the end-user's business profile;
- (c) the transaction involves designated persons;
- (d) the transaction involves higher risk countries or jurisdictions which are known to be involved in proliferation of weapons of mass destruction or proliferation financing activities;
- (e) the transaction involves other FIs with known deficiencies in AML/CFT controls or controls for combating proliferation financing;

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<sup>9</sup> Please refer to the following link for the relevant MAS ML/TF Regulations - <http://www.mas.gov.sg/Regulations-and-Financial-Stability/Anti-Money-Laundering-Countering-The-Financing-Of-Terrorism-And-Targeted-Financial-Sanctions/Targeted-Financial-Sanctions/MAS-Regulations.aspx>

## **GUIDELINES TO MAS NOTICE TCA-N03 ON PREVENTION OF MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM**

- (f) the transaction involves possible shell companies (e.g. companies that do not have a high level of capitalisation or display other shell company indicators); or
- (g) there are inconsistencies in the information provided in trade documents and financial flows (e.g. in the names, companies, addresses, ports of call and final destination).

### **I-5 Other Sources of Guidance on Proliferation Financing**

- I-5-1 The FATF has also provided guidance on measures to combat proliferation financing and a trust company may wish to refer to the [FATF website](#) for additional information.

**GUIDELINES TO MAS NOTICE TCA-N03 ON PREVENTION OF MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM**

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**II      Useful Links**

Financial Action Task Force (“FATF”): <http://www.fatf-gafi.org/>

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**GUIDELINES TO MAS NOTICE TCA-N03 ON PREVENTION OF MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM**

**APPENDIX A – Examples of CDD Information for Trust Relevant Parties (Including Legal Persons/Arrangements)**

<b>Trust Relevant Party Type</b>	<b>Examples of CDD Information</b>
Sole proprietorships	<ul style="list-style-type: none"> <li>• Full registered business name</li> <li>• Business address or principal place of business</li> <li>• Information about the purpose and intended nature of the business contact with the trust company</li> <li>• Names of all natural persons who act on behalf of the sole proprietor (where applicable)</li> <li>• Name of the sole proprietor</li> <li>• Information about the source of funds</li> <li>• A report of the trust company’s visit to the trust relevant party’s place of business, where the trust company assesses it as necessary</li> <li>• Structure of the sole proprietor’s business (where applicable)</li> <li>• Records in an independent company registry or evidence of business registration</li> </ul>
Partnerships and unincorporated bodies	<ul style="list-style-type: none"> <li>• Full name of entity</li> <li>• Business address or principal place of business</li> <li>• Information about the purpose and intended nature of the business contact with the trust company</li> <li>• Names of all natural persons who act on behalf of the entity</li> <li>• Names of all connected parties</li> <li>• Names of all effective controllers</li> <li>• Information about the source of funds</li> <li>• A report of the trust company’s visit to the trust relevant party’s place of business, where the trust company assesses it as necessary</li> <li>• Ownership and control structure</li> <li>• Records in an independent company registry.</li> <li>• Partnership deed</li> <li>• The trust relevant party’s membership with a relevant professional body</li> <li>• Any association the entity may have with other countries or jurisdictions (e.g. the location of the entity’s headquarters, operating facilities, branches, subsidiaries etc.)</li> </ul>
Companies	<ul style="list-style-type: none"> <li>• Full name of entity</li> <li>• Business address or principal place of business</li> <li>• Information about the purpose and intended nature of the business contact with the trust company</li> <li>• Names of all natural persons who act on behalf of the entity</li> </ul>

**GUIDELINES TO MAS NOTICE TCA-N03 ON PREVENTION OF MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM**

<b>Trust Relevant Party Type</b>	<b>Examples of CDD Information</b>
	<ul style="list-style-type: none"> <li>• Names of all connected parties</li> <li>• Names of all effective controllers</li> <li>• Information about the source of funds</li> <li>• A report of the trust company’s visit to the trust relevant party’s place of business, where the trust company assesses it as necessary</li> <li>• Ownership and control structure</li> <li>• Records in an independent company registry</li> <li>• Certificate of incumbency, certificate of good standing, share register, as appropriate</li> <li>• Memorandum and Articles of Association</li> <li>• Certificate of Incorporation</li> <li>• Board resolution authorising the establishment of business contact with the trust company</li> <li>• Any association the entity may have with other countries or jurisdictions (e.g. the location of the entity’s headquarters, operating facilities, branches, subsidiaries)</li> </ul>
<p>Public sector bodies, government, state-owned companies and supranationals (other than sovereign wealth funds)</p>	<ul style="list-style-type: none"> <li>• Full name of entity</li> <li>• Nature of entity (e.g. overseas government, treaty organisation)</li> <li>• Business address or principal place of business</li> <li>• Information about the purpose and intended nature of the business contact with the trust company</li> <li>• Name of the home state authority and nature of its relationship with its home state authority</li> <li>• Names of all natural persons who act on behalf of the entity</li> <li>• Names of all connected parties</li> <li>• Information about the source of funds</li> <li>• Ownership and control structure</li> <li>• A report of the trust company’s visit to the trust relevant party’s place of business, where the trust company assesses it as necessary</li> <li>• Board resolution authorising the establishment of business contact with the trust company</li> </ul>
<p>Clubs, Societies and Charities</p>	<ul style="list-style-type: none"> <li>• Full name of entity</li> <li>• Business address or principal place of business</li> <li>• Information about the purpose and intended nature of business contact with the trust company</li> <li>• Information about the nature of the entity’s activities and objectives</li> <li>• Names of all trustees (or equivalent)</li> <li>• Names of all natural persons who act on behalf of the entity</li> </ul>

**GUIDELINES TO MAS NOTICE TCA-N03 ON PREVENTION OF MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM**

<b>Trust Relevant Party Type</b>	<b>Examples of CDD Information</b>
	<ul style="list-style-type: none"> <li>• Names of all connected parties</li> <li>• Names of all effective controllers</li> <li>• Information about the source of funds</li> <li>• A report of the trust company's visit to the trust relevant party's place of business, where the trust company assesses it as necessary</li> <li>• Ownership and control structure</li> <li>• Constitutional document</li> <li>• Certificate of registration</li> <li>• Committee/Board resolution authorising business contact with the trust company</li> <li>• Records in a relevant and independent registry in the country of establishment</li> </ul>
<p>Trust and Other similar Arrangements (e.g. Foundations, Fiducie, Treuhand and Fideicomiso etc.)</p>	<ul style="list-style-type: none"> <li>• Full name of entity</li> <li>• Business address or principal place of business</li> <li>• Information about the nature, purpose and objectives of the entity (e.g. discretionary, testamentary)</li> <li>• Names of all natural persons who act on behalf of the entity</li> <li>• Names of all connected parties</li> <li>• Names of all effective controllers</li> <li>• Information about the source of funds</li> <li>• A report of the trust company's visit to the trust relevant party's place of business, where the trust company assesses it is necessary</li> <li>• Information about the purpose and intended nature of business contact with the trust company</li> <li>• Records in a relevant and independent registry in the country or jurisdiction of constitution</li> <li>• Country or jurisdiction of constitution</li> <li>• Trust deed.</li> <li>• Names of the settlors/trustees/beneficiaries or any other person who has power over the disposition of any property that is subject to the trust</li> <li>• Declaration of trusts</li> <li>• Deed of Retirement and Appointment of Trustees (where applicable)</li> </ul>

# **GUIDELINES TO MAS NOTICE TCA-N03 ON PREVENTION OF MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM**

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## **APPENDIX B – Examples of Suspicious Transactions**

### **B-1 General Comments**

- B-1-1 The list of examples given below is intended to highlight some basic ways in which money may be laundered or used for TF purposes. While each individual situation may not be sufficient to suggest that ML/ TF is taking place, a combination of such situations may be indicative of a suspicious transaction. The list is intended solely as an aid, and must not be applied as a routine instrument in place of common sense.
- B-1-2 The list is not exhaustive and may be updated due to changing circumstances and new methods of laundering money or financing terrorism. Trust companies are to refer to STRO's website for the latest list of red flags<sup>10</sup>.
- B-1-3 A trust relevant party's declarations regarding the background of such transactions should be checked for plausibility. Not every explanation offered by the trust relevant party can be accepted without scrutiny.
- B-1-4 It is reasonable to suspect any trust relevant party who is reluctant to provide normal information and documents required routinely by the trust company in the course of the business contact. Trust companies should pay attention to trust relevant parties who provide minimal, false or misleading information, or information that is difficult or expensive for the trust company to verify.

### **B-2 Indicators of Suspicious Transactions**

- (i) Trust relevant party evades attempts by the trust company to establish personal contact.
- (ii) Trust structure or transactions indicate some illicit purpose or are inconsistent with the trust company's knowledge of the trust relevant party, its business and risk profile and where appropriate, the source of funds. For example, substantial increase in the amount or frequency of, asset injections from or asset distributions to a trust relevant party or any other person, which is not aligned with the trust company's knowledge of, the source of wealth of the settlor, and the purpose and intended nature of the establishment of business contact.
- (iii) Trust assets are withdrawn immediately after being settled into the trust account, unless there is a plausible reason for such immediate withdrawal.

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<sup>10</sup> The website address as at 22 April 2015: <http://www.cad.gov.sg/aml-cft/suspicious-transaction-reporting-office/suspicious-transaction-reporting>

## **GUIDELINES TO MAS NOTICE TCA-N03 ON PREVENTION OF MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM**

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- (iv) Previously inactive trust account is now used intensively, unless there is a plausible reason for such use.
- (v) Transactions relating to the trust account are conducted with countries or entities that are reported to be associated with terrorist activities or with persons that have been designated as terrorists.
- (vi) Trust structure or transactions relating to the trust account utilise complex and opaque legal entities and arrangements, foreign private foundations that operate in jurisdictions with secrecy laws, wherein the trust company is unable to fully understand the purpose or activities of their usage.
- (vii) Transactions that are suspected to be in violation of another country's foreign exchange laws and regulations.
- (viii) Frequent changes to the address or authorised signatories.

### **B-3 Indicators of Tax Crimes Related Transactions**

- (i) Negative tax-related reports from the media or other credible information sources.
- (ii) Unconvincing or unclear purpose or motivation for having trusts established in Singapore.
- (iii) Inability to reasonably justify frequent and large asset injections into a trust or asset distributions from a trust where such injection or distribution –
  - (a) is from or to, a country or jurisdiction that presents higher risk of tax evasion; and
  - (b) from or to, a trust relevant party or any other person.
- (iv) Trust accounts managed by external asset managers who may not be adequately regulated and supervised.