

5 December 2019

NOTICE TO PERSONS PROVIDING ACCOUNT ISSUANCES SERVICES WHO ARE EXEMPTED UNDER THE PAYMENT SERVICES (EXEMPTION FOR SPECIFIED PERIOD) REGULATIONS 2019  
MONETARY AUTHORITY OF SINGAPORE ACT, CAP. 186

**PREVENTION OF MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM - PERSONS PROVIDING ACCOUNT ISSUANCES SERVICES WHO ARE EXEMPTED UNDER THE PAYMENT SERVICES (EXEMPTION FOR SPECIFIED PERIOD) REGULATIONS 2019**

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**1 INTRODUCTION**

- 1.1 This Notice is issued pursuant to section 27B of the Monetary Authority of Singapore Act (Cap. 186) (“MAS Act”) and applies to all exempt persons.
- 1.2 This Notice is a transitional arrangement and is intended to substantially apply the requirements of PSOA-N02 to the exempted persons. It shall take effect from 28 January 2020 and shall be in effect for a period of 12 months.

**2 DEFINITIONS**

- 2.1 For the purposes of this Notice —

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

“appointed day” means the date of commencement of section 108 of the Payment Services Act 2019 (Act 2 of 2019);

“Authority” means the Monetary Authority of Singapore;

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

“business day” means any calendar day other than a Saturday, Sunday, public holiday or bank holiday;

“business relations” means the opening or maintenance of an account by the exempt person in the name of a person (whether a natural person, legal person or legal arrangement);

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

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

“connected party” —

- (a) in relation to a legal person (other than a partnership), means any director or any natural person having executive authority in the legal person;
- (b) in relation to a legal person that is a partnership, means any partner or manager<sup>1</sup>; and
- (c) in relation to a legal arrangement, means any natural person having executive authority in the legal arrangement;

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

- (a) with whom the exempt person establishes or intends to establish business relations; or
- (b) for whom the exempt person undertakes or intends to undertake any transaction without an account being opened;

“end-user” means the natural person who is the ultimate user of a relevant payment account;

“exempt person” means a person who —

- (a) carries on a business of providing account issuance services in relation to a relevant payment account immediately before the appointed day;
- (b) satisfies the requirements for exemption under Regulation 3(1) of the Payment Services (Exemption for Specified Period) Regulations 2019; and

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<sup>1</sup> In the case of a limited liability partnership or a limited partnership.

(c) is a holder of a stored value facility immediately before the appointed day

“FATF” means the Financial Action Task Force;

“government entity” means a government of a country or jurisdiction, a ministry within such a government, or an agency specially established by such a government through written law;

“identifiable source” means —

- (a) an account which is maintained with a financial institution that is the subject of any direction issued or regulation made by the Authority under section 27B of the MAS Act; or
- (b) an account which is maintained with a financial institution incorporated or established outside Singapore that is subject to and supervised for compliance with AML/CFT requirements consistent with standards set by the FATF;

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

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

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

“partnership” means a partnership, a limited partnership within the meaning of the Limited Partnerships Act (Cap. 163B) or a limited liability partnership within the meaning of the Limited Liability Partnerships Act (Cap. 163A);

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

“PSOA-N02” means MAS Notice PSOA-N02 on the Prevention of Money Laundering and Countering the Financing of Terrorism – Holders of Stored Value Facilities as in force immediately before the date of its cancellation;

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

“relevant payment account” means a payment account that stores e-money, but excludes one which —

- (i) does not allow e-money in excess of S\$1,000 (or its equivalent in a foreign currency) to be stored;
- (ii) does not allow the withdrawal of any currency from the payment account;
- (iii) only allows a refund of e-money in excess of S\$80 (or its equivalent in a foreign currency) to any person from the payment account if —
  - (A) an identification document of the holder that bears a photograph of the holder and is in force is produced to the exempt person; and
  - (B) the exempt person has in place a policy to keep a record of any refund and the relevant identification document mentioned in sub-paragraph (A) above, for at least 5 years after the date on which the refund is made; and
- (iv) satisfies at least two of the following conditions:
  - (A) does not allow any form of cross-border money transfer or withdrawal;
  - (B) is to be used only as a means of making payment for goods or services;
  - (C) the money that was paid in exchange for the e-money that is paid into the payment account is from an identifiable source;

“STR” means suspicious transaction report;

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

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

- 2.2 A reference to any threshold or value limit expressed in S\$ shall include a reference to the equivalent amount expressed in any other currency.
- 2.3 The expressions used in this Notice shall, except where defined in this Notice or where the context otherwise requires, have the same meanings as in the Payment Services Act 2019 (Act 2 of 2019).

### **3 UNDERLYING PRINCIPLES**

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

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

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

### **Risk Assessment**

- 4.1 An exempt person shall take appropriate steps to identify, assess and understand, its money laundering and terrorism financing risks in relation to —
  - (a) its customers;
  - (b) the countries or jurisdictions its customers are from or in;
  - (c) the countries or jurisdictions the exempt person has operations in; and
  - (d) the products, services, transactions and delivery channels of the exempt person.
- 4.2 The appropriate steps referred to in paragraph 4.1 shall include —
  - (a) documenting the exempt person's risk assessments;
  - (b) considering all the relevant risk factors before determining the level of overall risk and the appropriate type and extent of mitigation to be applied;
  - (c) keeping the exempt person's risk assessments up-to-date; and
  - (d) having appropriate mechanisms to provide its risk assessment information to the Authority.

## **Risk Mitigation**

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

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

- 5.1 An exempt person shall identify and assess the money laundering and terrorism financing risks that may arise in relation to —
- (a) the development of new products and new business practices, including new delivery mechanisms; and
  - (b) the use of new or developing technologies for both new and pre-existing products.
- 5.2 An exempt person shall undertake the risk assessments, prior to the launch or use of such products, practices and technologies (to the extent such use is permitted by this Notice), and shall take appropriate measures to manage and mitigate the risks.
- 5.3 An exempt person shall, in complying with the requirements of paragraphs 5.1 and 5.2, pay special attention to any —
- (a) new products and new business practices, including new delivery mechanisms; and
  - (b) new or developing technologies,
- that favour anonymity.

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

### **Anonymous or Fictitious Account**

6.1 No exempt person shall open or maintain an anonymous account or an account in a fictitious name.

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

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

- (a) not establish business relations with, or undertake a transaction for, the customer; and
- (b) file an STR<sup>2</sup>, and extend a copy to the Authority for information.

### **When CDD is to be Performed**

6.3 An exempt person shall perform the measures as required by paragraphs 6, 7 and 8 when —

- (a) the exempt person establishes business relations with any customer;
- (aa) the exempt person undertakes any transaction of a value exceeding S\$5,000 for any customer who has not otherwise established business relations with the exempt person;
- (b) there is a suspicion of money laundering or terrorism financing, notwithstanding that the exempt person would not otherwise be required by this Notice to perform the measures as required by paragraphs 6, 7 and 8; or
- (c) the exempt person has doubts about the veracity or adequacy of any information previously obtained.

6.4 Where an exempt person suspects that two or more transactions are or may be related, linked or the result of a deliberate restructuring of an otherwise single transaction into smaller transactions in order to evade the measures provided for in this Notice, the

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<sup>2</sup> Please note in particular section 48 of the CDSA on tipping-off.

exempt person shall treat the transactions as a single transaction and aggregate their values for the purpose of this Notice.

(l) Identification of Customer

6.5 An exempt person shall identify each customer.

6.6 For the purposes of paragraph 6.5, an exempt person shall obtain at least the following information:

- (a) full name, including any aliases;
- (b) unique identification number (such as an identity card number, birth certificate number or passport number, or where the customer is not a natural person, the incorporation number or business registration number);
- (c) the customer's —
  - (i) residential address; or
  - (ii) registered or business address, and if different, principal place of business,

as may be appropriate;

- (d) date of birth, establishment, incorporation or registration (as may be appropriate); and
- (e) nationality, place of incorporation or place of registration (as may be appropriate).

6.7 Where the customer is a legal person or legal arrangement, the exempt person shall, apart from identifying the customer, also identify the legal form, constitution and powers that regulate and bind the legal person or legal arrangement.

6.8 Where the customer is a legal person or legal arrangement, the exempt person shall identify the connected parties of the customer, by obtaining at least the following information of each connected party —

- (a) full name, including any aliases; and
- (b) unique identification number (such as an identity card number, birth certificate number or passport number of the connected party).



(II) Verification of Identity of Customer

6.9 An exempt person shall verify the identity of the customer using reliable, independent source data, documents or information. Where the customer is a legal person or legal arrangement, an exempt person shall verify the legal form, proof of existence, constitution and powers that regulate and bind the customer, using reliable, independent source data, documents or information.

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

6.10 Where a customer appoints one or more natural persons to act on his behalf in establishing business relations with an exempt person or the customer is not a natural person, the exempt person shall —

(a) identify each natural person who acts or is appointed to act on behalf of the customer by obtaining at least the following information of such natural person:

(i) full name, including any aliases;

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

(iii) residential address;

(iv) date of birth;

(v) nationality; and

(b) verify the identity of each natural person using reliable, independent source data, documents or information.

6.11 An exempt person shall verify the due authority of each natural person appointed to act on behalf of the customer by obtaining at least the appropriate documentary evidence authorising the appointment of such natural person by the customer to act on his or its behalf.

6.12 Where the customer is a Singapore Government entity, the exempt person shall only be required to obtain such information as may be required to confirm that the customer is a Singapore Government entity as asserted.

(IV) Identification and Verification of Identity of Beneficial Owner

6.13 Subject to paragraph 6.16, an exempt person shall inquire if there exists any beneficial owner in relation to a customer.

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

(a) for customers that are legal persons —

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

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

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

(b) for customers that are legal arrangements —

(i) for trusts, identify the settlors, the trustees, the protector (if any), the beneficiaries (including every beneficiary that falls within a designated characteristic or class)<sup>3</sup>, and any natural person exercising ultimate ownership, ultimate control or ultimate effective control over the trust (including through a chain of control or ownership); and

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

6.15 Where the customer is not a natural person, the exempt person shall understand the nature of the customer's business and its ownership and control structure.

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<sup>3</sup> In relation to a beneficiary of a trust designated by characteristics or by class, the exempt person shall obtain sufficient information about the beneficiary to satisfy itself that it will be able to establish the identity of the beneficiary —

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

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

- 6.16 An exempt person shall not be required to inquire if there exists any beneficial owner (other than any end-user), in relation to a customer that is —
- (a) an entity listed on the Singapore Exchange;
  - (b) an entity listed on a stock exchange outside of Singapore that is subject to —
    - (i) regulatory disclosure requirements; and
    - (ii) requirements relating to adequate transparency in respect of its beneficial owners (imposed through stock exchange rules, law or other enforceable means);
  - (c) a financial institution set out in Appendix 1;
  - (d) a financial institution incorporated or established outside Singapore that is subject to and supervised for compliance with AML/CFT requirements consistent with standards set by the FATF; or
  - (e) an investment vehicle where the managers are financial institutions —
    - (i) set out in Appendix 1; or
    - (ii) incorporated or established outside Singapore but are subject to and supervised for compliance with AML/CFT requirements consistent with standards set by the FATF,

unless the exempt person has doubts about the veracity of the CDD information, or suspects that the customer, business relations with, or transaction for the customer, may be connected with money laundering or terrorism financing.

- 6.17 For the purposes of paragraphs 6.16(d) and 6.16(e)(ii), an exempt person shall document the basis for its determination that the requirements in those paragraphs have been duly met.

(V) Information on the Purpose and Intended Nature of Business Relations

- 6.18 An exempt person shall, when processing the application to establish business relations, understand and as appropriate, obtain from the customer information as to the purpose and intended nature of business relations.

(VI) Ongoing Monitoring

- 6.19 An exempt person shall monitor on an ongoing basis, its business relations with customers.
- 6.20 An exempt person shall, during the course of business relations with a customer, observe the conduct of the customer's account and scrutinise transactions undertaken throughout the course of business relations, to ensure that the transactions are consistent with the exempt person's knowledge of the customer, its business and risk profile and where appropriate, the source of funds.
- 6.21 An exempt person shall pay special attention to all complex, unusually large or unusual patterns of transactions, undertaken throughout the course of business relations, that have no apparent or visible economic or lawful purpose.
- 6.22 For the purposes of ongoing monitoring, an exempt person shall put in place and implement adequate systems and processes, commensurate with the size and complexity of the exempt person to —
- (a) monitor its business relations with customers; and
  - (b) detect and report suspicious, complex, unusually large or unusual patterns of transactions.
- 6.23 An exempt person shall, to the extent possible, inquire into the background and purpose of the transactions in paragraph 6.21 and document its findings with a view to making this information available to the relevant authorities should the need arise.
- 6.24 An exempt person shall ensure that the CDD data, documents and information obtained in respect of customers, natural persons appointed to act on behalf of the customers, connected parties of the customers and beneficial owners of the customers, are relevant and kept up-to-date by undertaking reviews of existing CDD data, documents and information, particularly for higher risk categories of customers.
- 6.25 Where there are any reasonable grounds for suspicion that existing business relations with a customer are connected with money laundering or terrorism financing, and where the exempt person considers it appropriate to retain the customer —
- (a) the exempt person shall substantiate and document the reasons for retaining the customer; and
  - (b) the customer's business relations with the exempt person shall be subject to commensurate risk mitigation measures, including enhanced ongoing monitoring.

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

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

- 6.27 An exempt person shall develop policies and procedures to address any specific risks associated with non-face-to-face business relations with a customer or transactions for a customer.
- 6.28 An exempt person shall implement the policies and procedures referred to in paragraph 6.27 when establishing business relations with a customer and when conducting ongoing due diligence.
- 6.29 Where there is no face-to-face contact, the exempt person shall perform CDD measures that are at least as stringent as those that would be required to be performed if there was face-to-face contact.

### **Reliance by Acquiring Exempt person on Measures Already Performed**

- 6.30 When an exempt person ("acquiring exempt person") acquires, either in whole or in part, the business of another exempt person (whether in Singapore or elsewhere), the acquiring exempt person shall perform the measures as required by paragraphs 6, 7 and 8, on the customers acquired with the business at the time of acquisition except where the acquiring exempt person has —
- (a) acquired at the same time all corresponding customer records (including CDD information) and has no doubt or concerns about the veracity or adequacy of the information so acquired; and
  - (b) conducted due diligence enquiries that have not raised any doubt on the part of the acquiring exempt person as to the adequacy of AML/CFT measures previously adopted in relation to the business or part thereof now acquired by the acquiring exempt person, and document such enquiries.

### **Measures for Non-Account Holder**

- 6.30A An exempt person that undertakes any transaction of a value exceeding S\$5,000 for any customer who does not otherwise have business relations with the exempt person shall —
- (a) perform CDD measures as if the customer had applied to the exempt person to establish business relations; and

- (b) record adequate details of the transaction so as to permit the reconstruction of the transaction, including the nature and date of the transaction, the type and amount of currency involved, the value date, and the details of the payee or beneficiary.

### **Timing for Verification**

6.31 Subject to paragraphs 6.32 and 6.33, an exempt person shall complete verification of the identity of a customer as required by paragraph 6.9, natural persons appointed to act on behalf of the customer as required by paragraph 6.10(b) and beneficial owners of the customer as required by paragraph 6.14 before —

- (a) the exempt person establishes business relations with the customer; or
- (b) the exempt person undertakes any transaction of a value exceeding S\$5,000 for the customer, where the customer has not otherwise established business relations with the exempt person.

6.32 An exempt person may establish business relations with a customer before completing the verification of the identity of the customer as required by paragraph 6.9, natural persons appointed to act on behalf of the customer as required by paragraph 6.10(b) and beneficial owners of the customer as required by paragraph 6.14 if —

- (a) the deferral of completion of the verification is essential in order not to interrupt the normal conduct of business operations; and
- (b) the risks of money laundering and terrorism financing can be effectively managed by the exempt person.

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

- (a) develop and implement internal risk management policies and procedures concerning the conditions under which such business relations may be established prior to verification; and
- (b) complete such verification as soon as is reasonably practicable.

## **Where Measures are Not Completed**

- 6.34 Where the exempt person is unable to complete the measures as required by paragraphs 6, 7 and 8, it shall not commence or continue business relations with any customer, or undertake any transaction for any customer. The exempt person shall consider if the circumstances are suspicious so as to warrant the filing of an STR.
- 6.35 For the purposes of paragraph 6.34, completion of the measures means the situation where the exempt person has obtained, screened and verified (including by delayed verification as allowed under paragraphs 6.32 and 6.33) all necessary CDD information under paragraphs 6, 7 and 8, and where the exempt person has received satisfactory responses to all inquiries in relation to such necessary CDD information.

## **Joint Account**

- 6.36 In the case of a joint account, an exempt person shall perform CDD measures on all of the joint account holders as if each of them were individually customers of the exempt person.

## **Existing Customers**

- 6.37 An exempt person shall perform the measures as required by paragraphs 6, 7 and 8 in relation to its existing customers based on its own assessment of materiality and risk, taking into account any previous measures applied, the time when the measures were last applied to such existing customers and the adequacy of data, documents or information obtained.

## **Screening**

- 6.38 An exempt person shall screen a customer, natural persons appointed to act on behalf of the customer, connected parties of the customer and beneficial owners of the customer against relevant money laundering and terrorism financing information sources, as well as lists and information provided by the Authority or other relevant authorities in Singapore for the purposes of determining if there are any money laundering or terrorism financing risks in relation to the customer.
- 6.39 An exempt person shall screen the persons referred to in paragraph 6.38 —
- (a) when, or as soon as reasonably practicable after, the exempt person establishes business relations with a customer;

- (aa) when the exempt person undertakes any transaction of a value exceeding S\$5,000 for any customer who has not otherwise established business relations with the exempt person;
- (b) on a periodic basis after the exempt person establishes business relations with the customer; and
- (c) when there are any changes or updates to —
  - (i) the lists and information provided by the Authority or other relevant authorities in Singapore to the exempt person; or
  - (ii) the natural persons appointed to act on behalf of a customer, connected parties of a customer or beneficial owners of a customer.

6.40 The results of screening and assessment by the exempt person shall be documented.

## **7 SIMPLIFIED CUSTOMER DUE DILIGENCE**

- 7.1 Subject to paragraph 7.4, an exempt person may perform simplified CDD measures in relation to a customer, any natural person appointed to act on behalf of the customer and any beneficial owner of the customer (other than any beneficial owner that the exempt person is exempted from making inquiries about under paragraph 6.16) if it is satisfied that the risks of money laundering and terrorism financing are low.
- 7.2 The assessment of low risks shall be supported by an adequate analysis of risks by the exempt person.
- 7.3 The simplified CDD measures shall be commensurate with the level of risk, based on the risk factors identified by the exempt person.
- 7.4 An exempt person shall not perform simplified CDD measures —
  - (a) where one or more transactions undertaken, whether in the course of business relations or otherwise, by the exempt person for a customer (other than transactions undertaken by the exempt person to transfer funds from the customer's relevant stored value facility directly to that customer's bank account) in any one year period cumulatively exceeds S\$5,000<sup>4</sup>;
  - (b) where a customer or any beneficial owner of the customer is from or in a country or jurisdiction in relation to which the FATF has called for countermeasures;

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<sup>4</sup> Please note paragraph 6.4 of the Notice.



- (c) where a customer or any beneficial owner of the customer is from or in a country or jurisdiction known to have inadequate AML/CFT measures, as determined by the exempt person for itself or notified to exempt persons generally by the Authority, or other foreign regulatory authorities; or
  - (d) where the exempt person suspects that money laundering or terrorism financing is involved.
- 7.5 A transaction undertaken, whether in the course of business relations or otherwise, by the exempt person to transfer funds from a customer's relevant stored value facility directly to that customer's bank account shall not be a transaction for the purposes of paragraph 7.4(a), if that the bank account is not opened or maintained in a country or jurisdiction known to have inadequate AML/CFT measures (as determined by the exempt person for itself or notified to exempt persons generally by the Authority or by other foreign regulatory authorities).
- 7.6 Subject to paragraphs 7.2, 7.3 and 7.4, an exempt person may perform simplified CDD measures in relation to a customer that is a financial institution set out in Appendix 2.
- 7.7 Where the exempt person performs simplified CDD measures in relation to a customer, any natural person appointed to act on behalf of the customer and any beneficial owner of the customer, it shall document —
- (a) the details of its risk assessment; and
  - (b) the nature of the simplified CDD measures.
- 7.8 For avoidance of doubt, the term "CDD measures" in paragraph 7 means the measures required by paragraph 6.

## **8 ENHANCED CUSTOMER DUE DILIGENCE**

### **Politically Exposed Persons**

8.1 For the purposes of paragraph 8 —

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

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

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

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

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

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

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

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

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

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

- (a) obtain approval from the exempt person’s senior management to establish or continue business relations with the customer;
- (b) establish, by appropriate and reasonable means, the source of wealth and source of funds of the customer and any beneficial owner of the customer; and
- (c) conduct, during the course of business relations with the customer, enhanced monitoring of the business relations with the customer. In particular, the exempt

person shall increase the degree and nature of monitoring of the business relations with and transactions for the customer, in order to determine whether they appear unusual or suspicious.

8.4 An exempt person may adopt a risk-based approach in determining whether to perform enhanced CDD measures or the extent of enhanced CDD measures to be performed for —

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

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

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

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

8.6 For the purposes of paragraph 8.5, circumstances where a customer presents or may present a higher risk for money laundering or terrorism financing include but are not limited to the following:

- (a) where a customer or any beneficial owner of the customer is from or in a country or jurisdiction in relation to which the FATF has called for countermeasures, the exempt person shall treat any business relations with or transactions for any such customer as presenting a higher risk for money laundering or terrorism financing; and
- (b) where a customer or any beneficial owner of the customer is from or in a country or jurisdiction known to have inadequate AML/CFT measures, as determined by the exempt person for itself or notified to exempt persons generally by the Authority or other foreign regulatory authorities, the exempt person shall assess whether any such customer presents a higher risk for money laundering or terrorism financing.

8.7 An exempt person shall perform the appropriate enhanced CDD measures in paragraph 8.3 for business relations with, or transactions for, any customer —

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

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

8.8 An exempt person shall, in taking enhanced CDD measures to manage and mitigate any higher risks that have been identified by the exempt person or notified to it by the Authority or other relevant authorities in Singapore, ensure that the enhanced CDD measures take into account the requirements of any laws, regulations or directions administered by the Authority, including but not limited to the regulations or directions issued by the Authority under section 27A of the MAS Act.

## **9 RELIANCE ON THIRD PARTIES**

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

- (a) a financial institution set out in Appendix 2; or
- (b) a financial institution which is subject to and supervised by a foreign authority for compliance with AML/CFT requirements consistent with standards set by the FATF (other than a holder of a payment services licence that entitles the person to carry on a business of providing a money changing service or a cross-border money transfer service, or both, who are holders of a money-changer’s licence or a remittance licence (as the case may be) immediately before the appointed date, or equivalent licences).

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

- (a) the exempt person is satisfied that the third party it intends to rely upon is subject to and supervised for compliance with AML/CFT requirements consistent with standards set by the FATF, and has adequate AML/CFT measures in place to comply with those requirements;
- (b) the exempt person takes appropriate steps to identify, assess and understand the money laundering and terrorism financing risks particular to the countries or jurisdictions that the third party operates in;

- (c) the third party is not one which exempt persons have been specifically precluded by the Authority from relying upon; and
  - (d) the third party is able and willing to provide, without delay, upon the exempt person's request, any data, documents or information obtained by the third party with respect to the measures applied on the exempt person's customer, which the exempt person would be required or would want to obtain.
- 9.3 No exempt person shall rely on a third party to conduct ongoing monitoring of business relations with customers.
- 9.4 Where an exempt person relies on a third party to perform the measures as required by paragraphs 6, 7 and 8, it shall —
- (a) document the basis for its satisfaction that the requirements in paragraph 9.2(a) and (b) have been met, except where the third party is a financial institution set out in Appendix 2; and
  - (b) immediately obtain from the third party the CDD information which the third party had obtained.
- 9.5 For the avoidance of doubt, notwithstanding the reliance upon a third party, the exempt person shall remain responsible for its AML/CFT obligations in this Notice.

## **10 CORRESPONDENT ACCOUNTS**

- 10.1 Paragraph 10 applies to an exempt person when it provides correspondent account services or other similar services in Singapore to a financial institution that is operating outside Singapore.
- 10.2 For the purposes of paragraph 10 —

“correspondent account services” means the provision of services under a cross-border relationship between an exempt person and a respondent financial institution, for the exempt person to provide access to a relevant payment account, whether for the respondent financial institution as principal or for that respondent financial institution's customers;

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

“respondent financial institution” means a financial institution operating outside Singapore to which correspondent account services or other similar services are provided;

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

“similar services” include services undertaken for transactions or funds transfers, for the financial institution respondent, whether as principal or for its customers.

10.3 An exempt person in Singapore shall perform the following measures, in addition to the measures as required by paragraphs 6,7 and 8, when providing correspondent account services or other similar services —

- (a) assess the suitability of the respondent financial institution by taking the following steps —
  - (i) gather adequate information about the respondent financial institution to understand fully the nature of the respondent financial institution’s business, including making appropriate inquiries on its management, its major business activities and the countries or jurisdictions in which it operates;
  - (ii) determine from any available sources the reputation of the respondent financial institution and the quality of supervision over the respondent financial institution, including whether it has been the subject of money laundering or terrorism financing investigation or regulatory action; and
  - (iii) assess the respondent financial institution’s AML/CFT controls and ascertain that they are adequate and effective, having regard to the AML/CFT measures of the country or jurisdiction in which the respondent financial institution operates;
- (b) clearly understand and document the respective AML/CFT responsibilities of the exempt person and the respondent financial institution; and
- (c) obtain approval from the exempt person’s senior management before providing correspondent account services or similar services to a new financial institution.

10.4 Where the provision of correspondent account services or similar services by the exempt person involve a payable-through account, the exempt person shall be satisfied that —

- (a) the respondent financial institution has performed appropriate measures at least equivalent to those specified in paragraph 6 on the third party having direct access to the payable-through account; and
  - (b) the respondent financial institution is able to perform ongoing monitoring of its business relations with that third party and is willing and able to provide CDD information to the exempt person upon request.
- 10.5 The exempt person shall document the basis for its satisfaction that the requirements in paragraphs 10.3 and 10.4 are met.
- 10.6 No exempt person shall enter into or continue correspondent account services or other similar services relationship with another financial institution that does not have adequate controls against money laundering or terrorism financing activities, is not effectively supervised by the relevant authorities or is a shell financial institution.
- 10.7 An exempt person shall also take appropriate measures when establishing correspondent account services or other similar services relationship, to satisfy itself that its respondent financial institutions do not permit their accounts to be used by shell financial institutions.

## **11 RECORD KEEPING**

- 11.1 An exempt person shall, in relation to all data, documents and information that the exempt person is required to obtain or produce to meet the requirements under this Notice, prepare, maintain and retain records of such data, documents and information.
- 11.2 An exempt person shall perform the measures as required by paragraph 11.1 such that
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- (a) all requirements imposed by law (including this Notice) are met;
  - (b) any individual transaction undertaken by the exempt person in the course of business relations can be reconstructed (including the amount and type of currency involved) so as to provide, if necessary, evidence for prosecution of criminal activity;
  - (c) the Authority or other relevant authorities in Singapore and the internal and external auditors of the exempt person are able to review the exempt person's business relations, transactions, records and CDD information and assess the level of compliance with this Notice; and

- (d) the exempt person can satisfy, within a reasonable time or any more specific time period imposed by law or by the requesting authority, any enquiry or order from the relevant authorities in Singapore for information.
- 11.3 Subject to paragraph 11.5 and any other requirements imposed by law, an exempt person shall, for the purposes of record retention under paragraphs 11.1 and 11.2 and when setting its record retention policies, comply with the following record retention periods:
- (a) for CDD information relating to the business relations, transactions as well as account files, business correspondence and results of any analysis undertaken, a period of at least 5 years following the termination of such business relations or completion of such transactions; and
  - (b) for data, documents and information relating to a transaction, including any information needed to explain and reconstruct the transaction, a period of at least 5 years following the completion of the transaction.
- 11.4 An exempt person may retain data, documents and information as originals or copies, in paper or electronic form or on microfilm, provided that they are admissible as evidence in a Singapore court of law.
- 11.5 An exempt person shall retain records of data, documents and information on all its business relations with or transactions for a customer pertaining to a matter which is under investigation or which has been the subject of an STR, in accordance with any request or order from STRO or other relevant authorities in Singapore.

## **12 PERSONAL DATA**

- 12.1 For the purposes of paragraph 12, “individual” means a natural person, whether living or deceased.
- 12.2 Subject to paragraph 12.3 and for the purposes of complying with this Notice, an exempt person shall not be required to provide an individual customer, an individual appointed to act on behalf of a customer, an individual connected party of a customer or an individual beneficial owner of a customer, with —
- (a) any access to personal data about the individual that is in the possession or under the control of the exempt person;
  - (b) any information about the ways in which the personal data of the individual under subparagraph (a) has been or may have been used or disclosed by the exempt person; and



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

12.3 An exempt person shall, as soon as reasonably practicable, upon the request of an individual customer, an individual appointed to act on behalf of a customer, an individual connected party of a customer or an individual beneficial owner of a customer, provide the requesting individual with the right to —

- (a) access the following types of personal data of that individual, that is in the possession or under the control of the exempt person:
  - (i) his full name, including any alias;
  - (ii) his unique identification number (such as an identity card number, birth certificate number or passport number);
  - (iii) his residential address;
  - (iv) his date of birth;
  - (v) his nationality;
  - (vi) subject to section 21(2) and (3) read with the Fifth Schedule to the Personal Data Protection Act 2012 (Act 26 of 2012), any other personal data of the respective individual provided by that individual to the exempt person; and
- (b) subject to section 22(7) read with the Sixth Schedule to the Personal Data Protection Act, correct an error or omission in relation to the types of personal data set out in subparagraphs (a)(i) to (vi), provided the exempt person is satisfied that there are reasonable grounds for such request.

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

## 13 SUSPICIOUS TRANSACTIONS REPORTING

- 13.1 An exempt person shall keep in mind the provisions in the CDSA<sup>5</sup> and in the TSOFA that provide for the reporting to the authorities of transactions suspected of being connected with money laundering or terrorism financing and implement appropriate internal policies, procedures and controls for meeting its obligations under the law, including the following —
- (a) establish a single reference point within the organisation to whom all employees and officers are instructed to promptly refer all transactions suspected of being connected with money laundering or terrorism financing, for possible referral to STRO via STRs; and
  - (b) keep records of all transactions referred to STRO, together with all internal findings and analysis done in relation to them.
- 13.2 An exempt person shall promptly submit reports on suspicious transactions (including attempted transactions), regardless of the amount of the transaction, to STRO, and extend a copy to the Authority for information.
- 13.3 An exempt person shall consider if the circumstances are suspicious so as to warrant the filing of an STR and document the basis for its determination, including where —
- (a) the exempt person is for any reason unable to complete the measures as required by paragraphs 6, 7 and 8; or
  - (b) the customer is reluctant, unable or unwilling to provide any information requested by the exempt person, decides to withdraw a pending application to establish business relations or a pending transaction, or to terminate existing business relations.
- 13.4 Where an exempt person forms a suspicion of money laundering or terrorism financing, and reasonably believes that performing any of the measures as required by paragraphs 6, 7 or 8 will tip-off a customer, a natural person appointed to act on behalf of the customer, a connected party of the customer or a beneficial owner of the customer, the exempt person may stop performing those measures. The exempt person shall document the basis for its assessment and file an STR.

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<sup>5</sup> Please note in particular section 48 of the CDSA on tipping-off.

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

14.1 An exempt person shall develop and implement adequate internal policies, procedures and controls, taking into consideration its money laundering and terrorism financing risks and the size of its business, to help prevent money laundering and terrorism financing and communicate these to its employees.

14.2 The policies, procedures and controls shall meet all requirements of this Notice.

### **Compliance**

14.3 An exempt person shall develop appropriate compliance management arrangements, including at least, the appointment of an AML/CFT compliance officer, at the management level.

14.4 An exempt person shall ensure that the AML/CFT compliance officer, as well as any other persons appointed to assist him, is suitably qualified and, has adequate resources and timely access to all customer records and other relevant information which he requires to discharge his functions.

### **Audit**

14.5 An exempt person shall maintain an audit function that is adequately resourced and independent, and that is able to regularly assess the effectiveness of the exempt person's internal policies, procedures and controls, and its compliance with regulatory requirements.

### **Employee Hiring**

14.6 An exempt person shall have in place screening procedures to ensure high standards when hiring employees and appointing officers.

### **Training**

14.7 An exempt person shall take all appropriate steps to ensure that its employees and officers (whether in Singapore or elsewhere) are regularly and appropriately trained on

- (a) AML/CFT laws and regulations, and in particular, CDD measures, detecting and reporting of suspicious transactions;
- (b) prevailing techniques, methods and trends in money laundering and terrorism financing; and

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

## **Appendix 1**

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

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

## **Appendix 2**

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