MAS Notice PSM-N01

DD MM 2021

NOTICE TO FINANCIAL INSTITUTIONS DEALING IN PRECIOUS STONES AND PRECIOUS METALS
MONETARY AUTHORITY OF SINGAPORE ACT, CAP. 186

PREVENTION OF MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM - FINANCIAL INSTITUTIONS DEALING IN PRECIOUS STONES AND PRECIOUS METALS

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 financial institutions as defined in section 27A(6), read with section 27A(7) of the MAS Act ("financial institution"), which carries on a business —

(a) of regulated dealing; or

(b) as an intermediary for regulated dealing.

1.2 Pursuant to section 178 of the MAS Act, a person as described in the first column of Table 1 shall be exempt from the requirements of the corresponding AML/CFT Notice as set out in the second column of Table 1, only to the extent that such requirements relate to the carrying on of a business of regulated dealing or as an intermediary for regulated dealing.

1.3 For the avoidance of doubt, a person as described in the first column of Table 1 shall continue to comply with MAS Notice PSM-N01 in relation to the carrying on of a business of regulated dealing or as an intermediary for regulated dealing.

Table 1

First column	*Second column*
Person	*Notice*
(a) A bank licensed under the Banking Act (Cap. 19)	MAS Notice 626
(b) A merchant bank in Singapore licensed under the Banking Act	MAS Notice 1014

(c) A finance company licensed under the Finance Companies Act (Cap. 108)	MAS Notice 824
(d) A person licensed to carry on the business of issuing credit cards or charge cards in Singapore under Section 57B of the Banking Act	MAS Notice 626A
(e) A holder of a capital markets services licence under the Securities and Futures Act (Cap. 289) ("SFA") (f) 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) ("SF(LCB)R") (g) A person exempted under paragraphs 3(1)(d), 3A(1)(d) and 7(1)(b) of the Second Schedule to the SF(LCB)R from the requirement to hold a capital markets services licence	MAS Notice SFA04-N02
(h) A licensed financial adviser under the Financial Advisers Act (Cap. 110) ("FAA") (i) A registered insurance broker which is exempt under section 23(1)(c) of the FAA, from holding a financial adviser's licence to act as a financial adviser in Singapore in respect of any financial advisory service (j) A person exempt under section 23(1)(f) of the FAA read with regulation 27(1)(d) of the Financial Advisers Regulations (Rg. 2), from holding a financial adviser's licence to act as a financial adviser in Singapore in respect of any financial advisory service	MAS Notice FAA-N06
(k) A holder of a licence under the Payments Services Act 2019 ("PS Act") that carries on the business of providing a specified payment service (as defined under MAS Notice PSN01) (l) A person exempt under section 13(1) of the PS Act where such person offers a specified product (as defined under MAS Notice PSN01)	MAS Notice PSN01

1.3 This Notice shall take effect from XX XX 2021.

2 DEFINITIONS

2.1 For the purposes of this Notice –

"account relationship" means –

(a) the opening or maintenance of an account in the name of a person (whether a natural person, legal person or legal arrangement) by a financial institution for the purpose of any regulated dealing; or

(b) the use of an existing account with a financial institution in the name of a person (whether a natural person, legal person or legal arrangement) for the purpose of any regulated dealing by the financial institution with that person;

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

"asset-backed token" means a token, certificate or other instrument backed by one or more precious stones, precious metals or precious products that entitles the holder to the precious stone, precious metal or precious product, or part of it, but excludes –

(a) securities or derivatives contracts within the meaning of the SFA;

(b) commodity contracts within the meaning of the Commodity Trading Act (Cap. 48A); and

(c) digital payment tokens within the meaning of the PS Act;

"Authority" means the Monetary Authority of Singapore;

"beneficial owner", in relation to a customer of a financial institution, means the natural person who ultimately owns or controls the customer or the natural person on whose behalf a relevant business transaction is conducted or an account relationship is established, and includes any person who exercises ultimate effective control over a legal person or legal arrangement;

"cash" means currency notes and coins (whether of Singapore or of a foreign country or territory) which are legal tender and circulate as money in the country or territory of issue;

"cash equivalent" means any physical or electronic form of a voucher, token, stamp, coupon, card or other article the redemption of which in accordance with its terms entitles the holder to receive any precious stone, precious metal or precious product up to the value stated on or recorded in or in respect of the voucher, token, stamp, coupon, card or other article;

"cash transaction report" has the same meaning as defined in section 2 of the Precious Stones and Precious Metals (Prevention of Money Laundering and Terrorism Financing) Act (Act 7 of 2019) ("PSPM Act");

"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[1]; and

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

"customer", in relation to a financial institution, means a person (whether a natural person, legal person or legal arrangement) –

(a) with whom the financial institution establishes or intends to establish an account relationship; or

(b) for whom the financial institution undertakes or intends to undertake any transaction related to regulated dealings without an account being opened;

"designated transaction" means any of the relevant business transactions, for which cash or a cash equivalent is received as payment;

"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;

"intermediary", in relation to regulated dealing, means a broker, an auctioneer, an exchange or any provider of a trading or clearing facility, for regulated dealing, whether by electronic means or otherwise;

"legal arrangement" means a trust or other similar arrangement

[1] In the case of a limited liability partnership or a limited partnership.

"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 financial institution;

"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);

"precious metal" has the same meaning as defined in section 2 of the PSPM Act;

"precious product" has the same meaning as defined in section 2 of the PSPM Act;

"precious stone" has the same meaning as defined in section 2 of the PSPM Act;

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

"regulated dealer" means any person who carries on –

(a) a business of regulated dealing; or

(b) business as an intermediary for regulated dealing,

and is regulated by the Ministry of Law, but excludes a pawnbroker and such other person as may be prescribed under the PSPM Act as an excluded regulated dealer;

"regulated dealing" means doing any of the following –

(a) manufacturing any precious stone, precious metal or precious product;

(b) importing or possessing for sale any precious stone, precious metal or precious product;

(c) selling or offering for sale any precious stone, precious metal or precious product;

(d) selling or redeeming any asset backed tokens;

(e) purchasing any precious stone, precious metal or precious product for the purposes of resale;

"relevant business transaction" means any of the following transactions conducted wholly or partly in Singapore –

(a) a sale of any precious stone, precious metal, precious product or asset-backed token by the financial institution to a customer, for which the payment exceeds the threshold amount;

(b) 2 or more sales of any precious stone, precious metal, precious product or asset-backed token in a single day by the financial institution to the same customer, or to customers whom the financial institution knows act on behalf of the same person, for which the payment exceeds the threshold amount;

(c) a purchase of any precious stone, precious metal or precious product from a customer (who is not a financial institution or regulated dealer) by the financial institution, for which the payment exceeds the threshold amount;

(d) 2 or more purchases of any precious stone, precious metal or precious product in a single day by the financial institution, from the same customer, or customers whom the financial institution knows act on behalf of the same person (where none of the customers or such person is a financial institution or regulated dealer), for which the payment exceeds the threshold amount;

(e) a redemption of an asset-backed token from a customer (who is not a financial institution or regulated dealer) by the financial institution, for which the payment exceeds the threshold amount;

(f) 2 or more redemptions of any asset-backed token in a single day by the financial institution from the same customer, or customers whom the financial institution knows act on behalf of the same person (where none of the customers or such person is a financial institution or regulated dealer), for which the payment exceeds the threshold amount;

"sale" includes a supply under a conditional sale agreement or hire-purchase agreement within the meanings given by section 2(1) of the Hire-Purchase Act (Cap. 125), and "selling" is construed accordingly;

"STR" means a suspicious transaction report;

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

"threshold amount" means S$20,000; 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 MAS Act.

3 UNDERLYING PRINCIPLES

3.1 This Notice is based on the following principles, which shall serve as a guide for all financial institutions in the conduct of their operations and business activities in relation to precious stones, precious metals and precious products:

(a) A financial institution shall exercise due diligence when dealing with customers, natural persons appointed to act on the customer's behalf, connected parties of the customer and beneficial owners of the customer.

(b) A financial institution shall conduct its business in conformity with high ethical standards, and guard against establishing any account relationship or undertaking any transaction related to regulated dealings, that is or may be connected with, or facilitates or may facilitate money laundering or terrorism financing.

(c) A financial institution shall, to the fullest extent possible, assist and cooperate with the relevant law enforcement authorities in Singapore to prevent money laundering and terrorism financing.

4 ASSESSING RISKS AND APPLYING A RISK-BASED APPROACH

Risk Assessment

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

(a) its customers;

(b) the countries or jurisdictions its customers are from or in;

(c) the countries or jurisdictions the financial institution has operations in; and

(d) the products, services, transactions and delivery channels of the financial institution.

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

(a) documenting the financial institution'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 financial institution's risk assessments up-to-date; and

(d) having appropriate mechanisms to provide its risk assessment information to the Authority.

Risk Mitigation

4.3 A financial institution shall –

(a) develop and implement policies, procedures and controls, which are approved by senior management, to enable the financial institution to effectively manage and mitigate the risks that have been identified by the financial institution 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 addresses the risk assessment and guidance from the Authority or other relevant authorities in Singapore.

5 NEW PRODUCTS, PRACTICES AND TECHNOLOGIES

5.1 A financial institution 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 existing products.

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

5.3 A financial institution 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 Fictious Person or Account

6.1 No financial institution shall deal with any person on an anonymous basis or any person using a fictitious name.

Where There Are Reasonable Grounds for Suspicion prior to the Establishment of Account Relationships or Undertaking any Transaction related to Regulated Dealings without Opening an Account

6.2 Prior to a financial institution establishing an account relationship or undertaking any transaction related to regulated dealings without opening an account, where the financial institution 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 financial institution shall –

(a) not establish an account relationship with, or undertake a transaction related to regulated dealings for, the customer; and

(b) file an STR[2], and extend a copy to the Authority for information.

When CDD is to be Performed

6.3 A financial institution shall perform the measures as required by paragraphs 6, 7 and 8 when –

(a) the financial institution establishes an account relationship with any customer;

(b) the financial institution undertakes a relevant business transaction for any customer who has not otherwise established an account relationship with the financial institution;

[2] Please note in particular section 48 of the CDSA on tipping-off.

(c) there is a suspicion of money laundering or terrorism financing, notwithstanding that the financial institution would not otherwise be required by this Notice to perform the measures as required by paragraphs 6, 7 and 8; or

(d) the financial institution has doubts about the veracity or adequacy of any information previously obtained.

6.4 Where a financial institution suspects that two or more transactions are or may be related, linked or the result of a deliberate restructuring of an otherwise single transaction into smaller transactions in order to evade the measures provided for in this Notice in relation to the circumstances set out in paragraph 6.3(b), the financial institution shall treat the transactions as a single transaction and aggregate their values for the purposes of this Notice.

(I) Identification of Customer

6.5 A financial institution shall identify each customer.

6.6 For the purposes of paragraph 6.5, a financial institution 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 financial institution 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 financial institution 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)

6.8A Where the financial institution –

(a) has assessed that the money laundering and terrorism financing risks in relation to the customer are not high; and

(b) is unable to obtain the unique identification number of the connected party after taking reasonable measures,

the financial institution may obtain the date of birth and nationality of the connected party, in lieu of the unique identification number.

6.8B The financial institution shall document the results of the assessment in paragraph 6.8A(a) and all the measures taken under paragraph 6.8A(b).

(II) Verification of Identity of Customer

6.9 A financial institution 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, a financial institution 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 an account relationship with, or to undertake a relevant business transaction without an account being opened for, a financial institution or the customer is not a natural person, the financial institution 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 A financial institution shall verify the due authority of each natural person appointed to act on behalf of the customer by:

(a) obtaining the appropriate documentary evidence authorising the appointment of such natural person by the customer to act on his or its behalf; and

(b) verifying that such natural person is the person authorised to act on the customer's behalf, through methods which include obtaining the person's specimen signature or other electronic means of verification.

6.11A Where the financial institution –

(a) has assessed that the money laundering and terrorism financing risks of the customer are not high; and

(b) is unable to obtain the residential address of the natural person who acts or is appointed to act on behalf of the customer after taking reasonable measures,

the financial institution may obtain the business address of this natural person, in lieu of the residential address.

6.11B Where the financial institution has obtained the business address of the natural person referred to in paragraph 6.11A, the financial institution shall take reasonable measures to verify the business address using reliable, independent source data, documents or information.

6.11C The financial institution shall document the results of the assessment in paragraph 6.11A(a) and all the measures taken under paragraph 6.11A(b).

6.12 Where the customer is a Singapore Government entity, the financial institution 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, a financial institution shall inquire if there exists any beneficial owner in relation to a customer.

6.14 Where there is one or more beneficial owners in relation to a customer, the financial institution 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 financial institution 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 subparagraphs (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)[3], 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 financial institution shall understand the nature of the customer's business and its ownership and control structure.

6.16 A financial institution shall not be required to inquire if there exists any beneficial owner in relation to a customer that is –

(a) an entity listed on the Singapore Exchange, provided that such entity has not been granted a waiver by the Singapore Exchange from the requirements relating to disclosure of its beneficial owners;

[3] In relation to a beneficiary of a trust designated by characteristics or by class, the financial institution shall obtain sufficient information about the beneficiary to satisfy itself that it will be able to establish the identity of the beneficiary -
(a) before making a distribution to that beneficiary; or
(b) when that beneficiary intends to exercise vested rights.

(b) 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 (other than the financial institution itself) are financial institutions –

(i) set out in Appendix 1; or

(ii) incorporated or established outside Singapore but are subject to and supervised for compliance with AML/CFT requirements consistent with standards set by the FATF,

unless the financial institution has doubts about the veracity of the CDD information, or suspects that the customer, an account relationship with, or a relevant business 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), a financial institution 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 Account Relationships and Relevant Business Transactions Undertaken without an Account Being Opened

6.18 A financial institution shall, when processing the application to establish an account relationship or to undertake a relevant business transaction without an account being opened, understand and as appropriate, obtain from the customer information as to the purpose and intended nature of such account relationship or relevant business transaction.

(VI) Review of Relevant Business Transactions Undertaken without an Account Being Opened

6.19 Where a financial institution undertakes one or more relevant business transactions for a customer without an account being opened ("current relevant business transaction"), the

financial institution shall review the earlier relevant business transactions undertaken by that customer to ensure that the current relevant business transaction is consistent with the financial institution's knowledge of the customer, its business and risk profile and where appropriate, the source of funds.

6.20 Where a financial institution establishes an account relationship with a customer, the financial institution shall review any relevant business transaction undertaken before the account relationship is established, to ensure that the account relationship is consistent with the financial institution's knowledge of the customer, its business and risk profile and where appropriate, the source of funds.

6.21 A financial institution shall pay special attention to all complex, unusually large or unusual patterns of relevant business transactions, that have no apparent or visible economic or lawful purpose.

6.22 For the purposes of reviewing relevant business transactions undertaken without an account being opened as required by paragraph 6.19, a financial institution shall put in place and implement adequate systems and processes, commensurate with the size and complexity of the financial institution to –

(a) monitor its relevant business transactions undertaken without an account being opened for customers; and

(b) detect and report suspicious, complex, unusually large or unusual patterns of relevant business transactions undertaken without an account being opened.

6.23 A financial institution shall, to the extent possible, inquire into the background and purpose of the relevant business 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.

(VII) Ongoing Monitoring

6.24 A financial institution shall monitor on an ongoing basis, its account relationships with customers.

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

6.26 A financial institution shall pay special attention to all complex, unusually large or unusual patterns of transactions, undertaken throughout the course of account relationships, that have no apparent or visible economic or lawful purpose.

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

(a) monitor its account relationships with customers; and

(b) detect and report suspicious, complex, unusually large or unusual patterns of transactions undertaken throughout the course of account relationships.

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

6.29 A financial institution 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.

6.30 Where there are any reasonable grounds for suspicion that an existing account relationship with a customer is connected with money laundering or terrorism financing, and where the financial institution considers it appropriate to retain the customer –

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

(b) the customer's account relationship with the financial institution shall be subject to commensurate risk mitigation measures, including enhanced ongoing monitoring.

6.31 Where the financial institution assesses the customer or the account relationship with the customer referred to in paragraph 6.30 to be of higher risk, the financial institution shall perform enhanced CDD measures, which shall include obtaining the approval of the financial institution's senior management to retain the customer.

CDD Measures for Non-Face-to-Face Account Relationships

6.32 A financial institution shall develop policies and procedures to address any specific risks associated with non-face-to-face account relationships.

6.33 A financial institution shall implement the policies and procedures referred to in paragraph 6.32 when establishing an account relationship with a customer and when conducting ongoing due diligence.

6.34 Where there is no face-to-face contact, the financial institution shall perform CDD measures that are at least as robust as those that would be required to be performed if there was face-to-face contact.

Reliance by Acquiring Financial Institutions on Measures Already Performed

6.35 When a financial institution ("acquiring financial institution") acquires, either in whole or in part, the business of another financial institution (whether in Singapore or elsewhere), the acquiring financial institution 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 financial institution has –

(a) acquired at the same time all corresponding customer records (including CDD information) and has no doubt or concerns about the veracity or adequacy of the information so acquired; and

(b) conducted due diligence enquiries that have not raised any doubt on the part of the acquiring financial institution as to the adequacy of AML/CFT measures previously adopted in relation to the business or part thereof now acquired by the acquiring financial institution, and document such enquiries.

Timing for Verification

6.36 Subject to paragraphs 6.37 and 6.38, a financial institution 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 –

(a) before the financial institution establishes account relationships with the customer; or

(b) before the financial institution undertakes any relevant business transaction, where the customer has not otherwise established account relationships with the financial institution.

6.37 A financial institution may establish account relationships 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 financial institution.

6.38 Where the financial institution establishes account relationships 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 financial institution shall –

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

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

Where Measures are Not Completed

6.39 Where the financial institution is unable to complete the measures as required by paragraphs 6, 7 and 8, it shall not commence or continue an account relationship with any customer, or undertake any relevant business transaction for any customer. The financial institution shall consider if the circumstances are suspicious so as to warrant the filing of an STR.

6.40 For the purposes of paragraph 6.39, completion of the measures means the situation where the financial institution has obtained, screened and verified (including by delayed verification as allowed under paragraphs 6.37 and 6.38) all necessary CDD information required under paragraphs 6, 7 and 8, and where the financial institution has received satisfactory responses to all inquiries in relation to such necessary CDD information.

Joint Account

6.41 In the case of a joint account, a financial institution shall perform CDD measures on all of the joint account holders as if each of them were individual customers of the financial institution.

Screening

6.42 A financial institution 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.

6.43 A financial institution shall screen the persons referred to in paragraph 6.42 –

(a) when, or as soon as reasonably practicable after, the financial institution establishes an account relationship with a customer;

(b) before the financial institution completes any relevant business transaction for a customer who has not otherwise established an account relationship with the financial institution;

(c) on a periodic basis after the financial institution establishes an account relationship with the customer; and

(d) when there are any changes or updates to -

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

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

6.44 The results of screening and assessment by the financial institution shall be documented.

7 SIMPLIFIED CUSTOMER DUE DILIGENCE

7.1 Subject to paragraph 7.4, a financial institution 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 financial institution 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 financial institution.

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

7.4 A financial institution shall not perform simplified CDD measures –

(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;

(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 financial institution for itself, or notified to financial institutions generally by the Authority, or other foreign regulatory authorities; or

(c) where the financial institution suspects that money laundering or terrorism financing is involved.

7.5 Subject to paragraphs 7.2, 7.3 and 7.4, a financial institution may perform simplified CDD measures in relation to a customer that is a financial institution set out in Appendix 2.

7.6 Where the financial institution 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.

7.7 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 A financial institution 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 A financial institution 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 financial institution 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 financial institution's senior management to establish or continue an account relationship with the customer or undertake any relevant business transaction without an account opened for 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 an account relationship with, or when undertaking transactions in the course of the account relationship for the customer, enhanced monitoring of the account relationship or such transactions. In particular, the financial institution shall increase the degree and nature of monitoring of the account relationship with, and such transactions for, the customer in order to determine whether they appear unusual or suspicious.

8.4 A financial institution 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 account relationships with the financial institution, or relevant business transactions undertaken without an account being opened by the financial institution present a higher risk for money laundering or terrorism financing.

Other Higher Risk Categories

8.5 A financial institution shall implement appropriate internal risk management systems, policies, procedures and controls to determine if account relationships with, or relevant business transaction undertaken without an account being opened 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 financial institution shall treat any account relationship with or relevant business transactions undertaken without an account being opened for, any such customer as presenting a higher risk for money laundering or terrorism financing;

(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 financial institution for itself, or notified to financial institutions generally by the Authority or other foreign regulatory authorities, the financial institution shall assess whether any such customer presents a higher risk for money laundering or terrorism financing; and

(c) where a customer is a legal person for which the financial institution is not able to establish if it has any –

(i) ongoing, apparent or visible operation or business activity;

(ii) economic or business purpose for its corporate structure or arrangement; or

(iii) substantive financial activity in its interactions with the financial institution,

the financial institution shall assess whether any such customer presents a higher risk for money laundering, or terrorism financing.

8.7 A financial institution shall perform the appropriate enhanced CDD measures in paragraph 8.3 for an account relationship with, or relevant business transactions undertaken without an account being opened for, any customer –

(a) who the financial institution determines under paragraph 8.5; or

(b) the Authority or other relevant authorities in Singapore notify to the financial institution,

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

8.8 A financial institution shall, in taking enhanced CDD measures to manage and mitigate any higher risks that have been identified by the financial institution, 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;

(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 under the PS Act, or equivalent licences);

(c) in relation to a financial institution incorporated in Singapore, its branches, subsidiaries, parent entity, the branches and subsidiaries of the parent entity, and other related corporations; or

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

9.2 Subject to paragraph 9.3, a financial institution 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 financial institution 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 financial institution takes appropriate steps to identify, assess and understand the money laundering and terrorism financing risks particular to the countries or jurisdictions that the third party operates in;

(c) the third party is not one which financial institutions have been specifically precluded by the Authority from relying upon; and

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

9.3 No financial institution shall rely on a third party to conduct a review of relevant business transactions undertaken without an account being opened or ongoing monitoring of account relationships with its customers.

9.4 Where a financial institution 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 paragraphs 9.2(a) and (b) have been met, except where the third party is a financial institution set out in Appendix 2; and

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

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

10 RECORD KEEPING

10.1 A financial institution shall, in relation to all data, documents and information that the financial institution is required to obtain or produce to meet the requirements under this Notice, prepare, maintain and retain records of such data, documents and information.

10.2 A financial institution shall perform the measures as required by paragraph 10.1 such that –

(a) all requirements imposed by law (including this Notice) are met;

(b) any individual transaction undertaken by the financial institution 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 financial institution are able to review the financial institution's account relationships, transactions, records and CDD information and assess the level of compliance with this Notice; and

(d) the financial institution can satisfy, within a reasonable time or any more specific time period imposed by law or by the requesting authority, any enquiry or order from the relevant authorities in Singapore for information.

10.3 Subject to paragraph 10.5 and any other requirements imposed by law, a financial institution shall, for the purposes of record retention under paragraphs 10.1 and 10.2, and when setting its record retention policies, comply with the following record retention periods:

(a) for CDD information relating to the account relationships and relevant business transactions undertaken without an account being opened, 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 account relationships or completion of such relevant business 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.

10.4 A financial institution 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.

10.5 A financial institution shall retain records of data, documents and information on all its account relationships 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.

11 PERSONAL DATA

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

11.2 Subject to paragraph 11.3 and for the purposes of complying with this Notice, a financial institution shall not be required to provide an individual customer, an individual appointed to act on behalf of a customer, an individual connected party of a customer or an individual beneficial owner of a customer, with –

(a) any access to personal data about the individual that is in the possession or under the control of the financial institution;

(b) any information about the ways in which the personal data of the individual under subparagraph (a) has been or may have been used or disclosed by the financial institution; and

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

11.3 A financial institution shall, as soon as reasonably practicable, upon the request of an individual customer, an individual appointed to act on behalf of a customer, an individual connected party of a customer or an individual beneficial owner of a customer, provide the requesting individual with the right to –

(a) access the following types of personal data of that individual, that is in the possession or under the control of the financial institution:

(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 sections 21(2) and (3) read with the Fifth Schedule to the Personal Data Protection Act 2012 (Act 26 of 2012), any other personal data of the respective individual provided by that individual to the financial institution; 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 financial institution is satisfied that there are reasonable grounds for such request.

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

12 SUSPICIOUS TRANSACTIONS REPORTING

12.1 A financial institution shall keep in mind the provisions in the CDSA[4] 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

[4] Please note in particular section 48 of the CDSA on tipping-off.

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.

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

12.3 A financial institution 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 financial institution 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 financial institution, or decides to withdraw a pending application to establish an account relationship or a pending transaction, or to terminate existing account relationship.

12.4 Where a financial institution 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 financial institution may stop performing those measures. The financial institution shall document the basis for its assessment and file an STR.

13 CASH TRANSACTION REPORTING

13.1 A financial institution who enters into a designated transaction shall promptly submit cash transaction reports to STRO pursuant to section 17 of the PSPM Act and promptly extend a copy to the Authority for information.

14 INTERNAL POLICIES, COMPLIANCE, AUDIT AND TRAINING

14.1 A financial institution 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 and officers.

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

Group Policy

14.3 For the purposes of paragraphs 14.4 to 14.9, a reference to "financial institution" means a financial institution incorporated in Singapore.

14.4 A financial institution shall develop a group policy on AML/CFT to meet all the requirements of this Notice and extend this to all of its branches and subsidiaries in its financial group.

14.5 Where a financial institution has a branch or subsidiary in a host country or jurisdiction –

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

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

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

14.6 Subject to the financial institution putting in place adequate safeguards to protect the confidentiality and use of any information that is shared, the financial institution shall develop and implement group policies and procedures for its branches and subsidiaries within the financial group, to share information required for the purposes of CDD and for money laundering and terrorism financing risk management, to the extent permitted by the law of the countries or jurisdictions that its branches and subsidiaries are in.

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

14.7A For the purposes of paragraph 14.7, the information to be shared within the financial institution's financial group shall include any information and analysis of transactions or activities that appear unusual.[5]

14.8 Where the AML/CFT requirements in the host country or jurisdiction differ from those in Singapore, the financial institution shall require that the overseas branch or subsidiary apply the higher of the two standards, to the extent that the law of the host country or jurisdiction so permits.

14.9 Where the law of the host country or jurisdiction conflicts with Singapore law such that the overseas branch or subsidiary is unable to fully observe the higher standard, the financial institution shall apply additional appropriate measures to manage the money laundering and terrorism financing risks, report this to the Authority and comply with such further directions as may be given by the Authority.

Compliance

14.10 A financial institution shall develop appropriate compliance management arrangements, including at least, the appointment of an AML/CFT compliance officer at the management level.

14.11 A financial institution 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

14.12 A financial institution shall maintain an audit function that is adequately resourced and independent, and that is able to regularly assess the effectiveness of the financial institution's internal policies, procedures and controls, and its compliance with regulatory requirements.

Employee Hiring

14.13 A financial institution shall have in place screening procedures to ensure high standards when hiring employees and appointing officers.

Training

14.14 A financial institution shall take all appropriate steps to ensure that its employees and officers (whether in Singapore or elsewhere) are regularly and appropriately trained on –

[5] Subject to section 48 of the CDSA on tipping-off, information shared may include an STR, the underlying information of the STR, or the fact that STR was filed.

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

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

(c) the financial institution's internal AML/CFT policies, procedures and controls, 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 the Banking Act (Cap.19).

2. Merchant banks licensed under the Banking Act.

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.