

**FULL SUBMISSIONS FROM RESPONDENTS TO THE CONSULTATION PAPER ON
CHANGES IN AML/CFT REQUIREMENTS IMPOSED ON MONEY-CHANGING
AND REMITTANCE BUSINESSES**

S/N	Respondent	Full Responses from Respondent
1	Money Changers' Association (Singapore)	<p><u>General Comment</u> Nil.</p> <p><u>Q1</u> <i>Prohibition of Issuance of Bearer Instrument</i> The prohibition of issuing bearer currency i.e cash cheques is not seen as a concern but however members would like to clarify if cash cheques can be issued for the purpose of withdrawing cash from their own corporate accounts. These cheques are typically given to the employees of the licensee for the purpose of cash withdrawal.</p> <p>As money changing operations may require employees to be assigned tasks unexpectedly due to manpower issues and for security purposes, it will greatly reduce complexity if the issuance of cash cheques will be allowed for this purpose.</p> <p>Payment by Cash Cheque may seem anonymous but however when the cash cheque is encashed at the bank counter, the person is duly verified.</p> <p><i>Restriction of Cash Pay-outs</i> The proposed change of using non-cash method to settle payouts of SGD 20,000 & above would be very challenging to licensees who are performing inward transactions.</p> <p>MAS would be well aware that many money changers are having problems opening or maintaining accounts because of de-risking by banks. This problem has been ongoing and the MCA even after conveying our predicament to MAS has not seen any progress in this matter.</p> <p>In addition, money changers performing inward remittance may be instructed to do payouts to foreign businessman or cash carriers acting for their principals in other countries. Customers of this nature usually spend very little time in Singapore and may not have local bank accounts to facilitate bank transfers. Cashing cheques for them will not</p>

		<p>make any business sense given the time constraint and other business commitments.</p> <p>The MCA believes this proposed change if implemented may encourage transactions to go unrecorded and/or to be performed 'underground.'</p> <p><u>Q2</u> Nil.</p> <p><u>Q3</u> Nil.</p>
2	Remittance Association (Singapore)	<p><u>General Comment</u></p> <p>Response A: In general the remittance industry urges MAS to apply a risk-based approach in all changes within the remittance industry. We welcome the opportunity for extended consultation and encourage MAS to extend it's consideration of AML/CFT beyond non-face-to-face verification methods but to include provisions allowing for simplified due diligence in low risk situations, allowed for in s7 of PSOA-N02 and MAS Notice 626. We believe this creates a framework which gives flexibility to adopt new methods, reducing the need for frequent consultations and use of resources from MAS and industry alike.</p> <p><u>Q1</u></p> <p>Response A: Remittance Licensees effecting cash payouts of \$20,000 or more may be faced with difficulties if beneficiaries are foreigners who may not have local bank accounts or not willing to encash cheques due to time constraints or practical reasons.</p> <p>This may in turn encourage transactions to go unrecorded.</p> <p><u>Q2</u></p> <p>6.36 – Refers to the licensee needing to appoint an “External auditor or qualified independent consultant”</p> <p>Response A: We would like MAS to consider the risk associated with allowing licensees to conduct non face-to-face business for up to a year before submitting an audit report. We agree with Section 5 of Notice 3001 requiring all licensees to assess the risks associated with new products/technology/ and also the proposed changes that require licensees to adopt controls to mitigate the risks associated with conducting non face-to-face business. We do however consider 12 months to be a significant amount of time before an audit report is submitted to MAS. New market entrants / fintechs have the capacity to process millions of transactions within a 12-month period. To</p>

		<p>protect the integrity of the Singaporean economy, we believe participants who have not previously received written approval from MAS to conduct non face-to-face business, should be required to submit an audit report to MAS, and potentially receive approval from MAS, before business commences.</p> <p>Response B: We agree with the MAS' proposed amendment on easing the non-face-to-face business conduct, which is aligned with MAS' vision in growing financial innovation to build a digital economy and promote financial inclusion. As one of the pioneers in the financial technology sector, our company supports the efforts of improving flexibility in conducting business beyond geographical context and providing convenience to customers in addressing their financial needs in this digital age.</p> <p>We would like to clarify on the additional checks that a licensee may perform for non-face-to-face customer verification listed in Annex D part 6-12-3. It is mentioned that real-time video conferencing in addition to providing electronic copies of identification documents is acceptable. We would like to know whether a submission of a photograph where customer holds his or her own identification document next to his or her face can be accepted as an alternative to video conferencing. This is especially useful for customers in different time zones.</p> <p>Response C: To facilitate innovation, we ask MAS to consider amending s7 of MAS Notice 3001 to be in line with s7 of PSOA-N02 and MAS Notice 626. The use of non-face-to-face methods and the proposed methods serve as a good step towards supporting use of technology to manage risk. We ask MAS to consider as part of this consultation allowing for remittance providers to have flexibility in low risk environments. The verification channel is one facet of a larger issue about how our industry can deploy innovative approaches that support efficient service provision to our Singapore customers.</p> <p>Audit The consultation has not touched on the issue of grandfathering. We ask MAS to grandfather privileges in respect of non-face-to-face business AML/CFT requirements. Where approval has been granted and an audit completed, this method should be assessed as part of a risk-based audit process conducted by MAS rather than a routine annual review, or additional specific review.</p> <p>Guideline to MAS Notice 3001</p>
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3	Singapore FinTech Association and Association of Cryptocurrency Enterprises and Startups Singapore and Singapore FinTech Association	<p><u>General Comment</u></p> <ul style="list-style-type: none"> • The members of the SFA and ACCESS (the “members”) respectfully submit that it would be helpful if the MAS could align its amendments to the AML/CFT requirements imposed on money-changing and remittance businesses with the new Payment Services Bill (“PSB”), to ensure that there are no inconsistencies between the proposals. In particular, the MAS could consider introducing into Notice 3001 an exemption for remittance agents where a payment is made for goods and services, and it comes from an identifiable source, as this would align with a proposal for the PSB. • It would be helpful if the MAS could clarify the expected timing for implementing the proposed changes, and confirm whether the expected time frame will match the expected time frame for enacting the new PSB. • We understand that the MAS is looking to implement changes across the financial industry – e.g. to the Guidelines applicable to the other MAS Notices that apply AML/CFT requirements (e.g. Guidelines to MAS Notice 626 for commercial banks). It would be helpful if the MAS could clarify whether it intends to implement more broadly across the financial industry:

		<ul style="list-style-type: none"> ○ requirements to obtain an external auditor/qualified, independent consultant prior to conducting non-face-to-face business; and ○ proposed additional guidance in respect of additional checks that could be implemented to mitigate the risks of impersonation. <p>In this regard, the members note that the MAS had issued a Circular on the Use of MyInfo and CDD Measures for Non Face-to-Face Business Relations (the “MAS Circular”) to all financial institutions in Singapore on 8 January 2018. It is respectfully submitted that the MAS should ensure that the revised Notice 3001 and accompanying Guidelines are consistent with the MAS Circular.</p> <p><u>Q1</u> Nil.</p> <p><u>Q2</u> The members are fully supportive of the MAS’ proposals to remove the requirement to seek prior written approval from the MAS to conduct non-face-to-face business.</p> <p>Furthermore, the members respectfully submit that the MAS could take a further step and remove from section 7 of Notice 3001 the requirement for money changers and remittance licensees to seek prior approval of the MAS to perform simplified CDD when they are satisfied that the risks of money laundering and terrorism financing are low. It is noted that such an amendment would align Notice 3001 with the MAS’ other AML Notices as applicable to other financial institutions (e.g. section 7 of the Notice 626 to banks), and would provide money changers and remittance licensees with welcome further flexibility to adapt in future.</p> <p>In addition, the members have certain specific comments on the MAS’ proposals which are set out below.</p> <p><u>“Grandfathering” privileges</u></p> <ul style="list-style-type: none"> • It is not clear whether the MAS intends for there to be “grandfathering” privileges in respect of its proposed non-face-to-face business AML/CFT requirements. The members strongly urge the MAS to enable licensees to rely on AML/CFT checks previously done, once the proposed amendments are implemented. • We welcome the MAS’ proposal confirming that an external auditor is not required to be engaged where the MAS has granted prior approval for licensees to conduct non-face-to-face business, which is helpful to minimise duplication. In this regard, it would be helpful if the MAS could clarify whether entities which have
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		<p>previously obtained MAS approval to conduct non-face-to-face business will, at any point in future, subsequently be required to engage an external auditor to assess the effectiveness of their policies and procedures in respect of non-face-to-face business – i.e. that such licensees would not be required to appoint an external auditor, in say, five years.</p> <p><u>Additional checks to manage the risk of impersonation – paragraph 6-12-3 of Annex D – Proposed Amendment to Guidelines to Notice 3001</u></p> <ul style="list-style-type: none"> • It would be helpful if the MAS could confirm that licensees are <u>not</u> required to perform <u>every</u> measure listed at paragraph 6-12-3 to adequately meet their obligations under paragraphs 6.33 to 6.36 of Notice 3001. • The proposed addition of paragraphs (f) to (i) of paragraph 6-12-3 are to be welcomed, and brings Singapore in step with international developments in this area (e.g. in the UK). However, it is respectfully submitted that the MAS could add further additional checks to paragraph 6-12-3. For example, further clarity is requested on whether the use of “selfies” (i.e. still digital photographs, as opposed to real-time video conferencing) could suffice for an additional check. • In particular, it is noted that the following additional checks are provided for in Joint Money Laundering Steering Group issued guidance to the UK Money Laundering Regulations 2017: <ul style="list-style-type: none"> ○ requesting the customer to confirm a secret code or PIN that links him/her incontrovertibly to the claimed electronic/digital identity – such codes, PINs or other secret data may be set up within the electronic/digital identity, or may be supplied to a verified mobile phone, or through a verified bank account, on a one-time basis; and ○ internet sign-on following verification procedures where the customer uses security codes, tokens, and/or other passwords which have been set up during account opening and provided by mail (or secure delivery) to the named individual at an independently verified address. <p><u>Appointment of an external auditor or a qualified, independent consultant – paragraph 6.36 of Annex C – Proposed Amendments to Notice 3001</u></p> <ul style="list-style-type: none"> • The members would appreciate guidance about the standard the MAS expects when a licensee selects an
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		<p>external auditor or a qualified, independent consultant. In particular, it would be helpful if the MAS could clarify:</p> <ul style="list-style-type: none"> ○ what “qualified” means in relation to an independent consultant – is the intention that the independent consultant should hold a particular qualification; and ○ in the proposed new paragraph 6-12-5 of the Guidelines to Notice 3001, to what extent are licensees required to investigate the external auditor’s/independent consultant’s track record and knowledge of new technology solutions and regulatory requirements. The members respectfully submit that it may be practically difficult to extract such information. <ul style="list-style-type: none"> ● The members have the following concerns about the proposed external auditor/qualified, independent consultant requirement: <ul style="list-style-type: none"> ○ The “qualified” requirement for the independent consultant could make the independent assessment requirement too onerous and expensive. ○ There is the potential for competitive distortion. For example, if the MAS imposes prescriptive requirements of a high standard in respect of an auditor’s/consultant’s competency, appointments of auditors/consultants may be pushed towards the same “Big Four” accounting firms. ○ Ultimately, the proposed independent assessment requirement could be more onerous than the existing requirement to obtain the MAS’ prior written approval, especially for start-up businesses. ● The members also note that, in the MAS Circular, the MAS stated that: <ul style="list-style-type: none"> ○ all financial institutions implementing new technology solutions for non-face-to-face customer onboarding should ensure the robustness of their checks by commissioning, one year after implementation of the new technology solution, a one-off independent assessment from a suitably qualified professional; ○ the suitably qualified professional could be an individual based in the financial institution’s internal audit function, if such internal audit function has the necessary expertise; and ○ the independent assessment should be kept for as long as the new technology solution is in use, and for a minimum period of five years after it ceases to be in use.
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		<ul style="list-style-type: none"> The members respectfully submit that it is preferable to use supranational methods of digital signatures, such as DocuSign, rather than national methods. <p><u>Use of new technology solutions</u> – paragraph 6-12-3(i) of Annex D – Proposed Amendment to Guidelines to Notice 3001</p> <ul style="list-style-type: none"> The members respectfully submit that it might be clearer to remove the requirement for a technology solution to be “new”. Including this specificity may lead to confusion once a technology solution has been widely adopted (at which point, using biometrics as an example, it would not fit within any of the limbs of paragraph 6-12-3 of the Guidelines to Notice 3001). In addition, the members submit that “new technologies” should explicitly include the use of device metadata (e.g. use of multiple data points such as IP addresses), which is a proven and robust control to manage impersonation risk. We note that in Australia, “metadata” has previously been held by the Privacy Commissioner to be “personal data”, thus demonstrating that “metadata” can be used to verify the identity of a customer. <p><u>Q3</u> It would be helpful if the MAS could provide some guidance on the requirement for a licensee to inquire into the background and purpose of every FX transaction. Further clarity on the extent of information that must be retained would be useful.</p>
4	Singapore Post Ltd	<p><u>General Comment</u> Nil.</p> <p><u>Q1</u> Singapore Post Limited (“SingPost”) supports the prohibitions of issuance of bearer instruments (anonymous in nature) and restrictions of cash pay-outs (mitigate ML/TF risks).</p> <p>(a) SingPost does not issue bearer instruments to our customers for payouts. (b) SingPost imposes a cap limit for customers remitting money via WU for Inbound / Inward Remittance transactions to limit exposure to ML/FT risks.</p> <p><u>Q2</u> Policies and procedures for Customer Due Diligence (“CDD”) for non-face-to-face account relationships with a customer or relevant business transactions should be</p>

		<p>mandatory to verify the identity of such customer to mitigate risks of impersonation.</p> <p>For the requirement to appoint an auditor to assess the effectiveness of policies and procedures put in place to mitigate the risk of non-face-to-face business, need clarification from MAS on the following:</p> <p>(a) Is this a one-off exercise or recurring yearly audit? (b) For subsequent changes to the use of new or existing technologies, is licensee required to conduct another independent audit assessment?</p> <p><u>Q3</u> The addition of Foreign Currency Exchange Transactions paragraphs spelt out explicitly that FX transaction will be subjected to scrutiny on source of fund and purpose to identify beneficial owner of fund.</p> <p>The retention of customers' records of data, documents and information (including CDD/ECDD information) are available to relevant authorities where the need arise.</p>
5	SingCash Pte Ltd and Telecom Equipment Pte Ltd	<p><u>General Comment</u> Singtel is pleased to respond to the MAS consultation paper on the amendments to the MAS Notice 3001 (MAS Notice 3001). Singtel supports the MAS' proposed amendment to remove the requirement for a licensee to seek MAS' prior approval to conduct non-face-to-face business. We believe that with the rapid development of technology and the increasingly competitive market place, the amendments are timely. Singtel also provides our comments and views in relation to the proposed amendments to Section 6 of the MAS 3001 and Sections 6-12-3 to 6-12-5 of the Guidelines to MAS 3001 (Guidelines).</p> <p><u>Q1</u> In relation to the prohibition on issuance of bearer negotiable instruments and restriction of cash payout, cash cheques may be required under exceptional circumstances, eg a customer is leaving the country and has asked to cease the services and obtain a refund of the remaining sum in the wallet. The shop premises may not hold sufficient funds to offer a cash refund in which case a cash cheque or another form of bearer negotiable instrument may be required.</p> <p>We propose that these forms be permitted as long as the amount is limited, for example limited to an amount of S\$800.</p>

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Singtel notes that in removing the requirement for pre-approval, the MAS has set certain requirements which are also explained in Sections 6-12-3 to 6-12-5 of the Guidelines.

Whilst Singtel appreciates the guidance in these additional requirements, we note that not all of these requirements or guidance provide sufficient flexibility in the current environment.

(i) 6-12-3 (a) to (e)

For example, the MAS requires in 6-12-3 (a) to (d) some form of separate telephone or correspondence with the customer after or during the registration phase, to the extent that the telephone contact must be at a number that is separately and independently verifiable [so for example, at a number that is listed in the directories, at an office number of the company the customer works for]. The need to use a number that is independently verifiable appears to omit the number that the customer could provide as the contact number as part of the CDD process. This would be inefficient given that the customer clearly expects to be contacted at that number. If this is not the intention, we would appreciate that the MAS clarifies this point.

Furthermore, the example of telephone confirmation of employment with the customer's HR department at the listed business number or presentation of bank statements appear intrusive and in fact, may be viewed as giving rise to privacy concerns by the customer. In (e), the MAS requires certified identification documents from lawyers which also appear to be overly burdensome and potentially costly for a customer who merely wishes to engage in remittance transactions.

Where the MAS deems that it is appropriate to contact the customer at their personal number and this is concurrently the number that is provided as the contact number for CDD purposes, to fulfil the requirement for independent verification, we propose that OTP be used. Once the OTP validation is complete (to and from the personal number cited as the contact number), then we would accept that it has met the requirement for independent verification as part of the CDD process. We request that the MAS consider this OTP proposal.

(ii) 6-12-3 (f) to (h)

Whilst the MAS has included some new guidelines in 6-12-3 (f) to (h), we are of the view that these could be made even more flexible. For example, in (f), the MAS needs the customer to make an initial deposit into the account with the licensee from funds held by the customer in an account

	<p>with a bank in Singapore. This essentially limits the options for source of funds using eNETS because licensees will have to adjust the technical options for eNETS to allow only deposits from funds held by the same customer. In (g), the MAS has attempted to replace face-to-face with video conferencing, in addition to the provision of electronic documents. Whilst this appears simple, the fact is that video conferencing is not necessarily easily implemented. For example, not all customers have a video conference facility on their phones. Furthermore, where this is subject to audit and/or record retention, it is not possible to retain copies of such video conferencing (eg on their 4G mobile phones) for inspection.</p> <p>Hence, where the MAS intends for video conferencing to apply, there needs to be some flexibility, eg where circumstances allow and to waive record retention.</p> <p>Furthermore, even where video-conferencing can be arranged, there could be other practical limitations affecting the viability and effectiveness, eg:</p> <ul style="list-style-type: none">(a) regardless of mobile or kiosk solutions, wireless/fixed network latency may periodically yield sub-optimal feeds. The licensee's officer may face difficulty in customer verification due to video pixelation/blurriness, out-of-sync audio and video, delayed responses and/or cracking audio over the course of the video conference;(b) video conferencing consumes a considerable amount of resources, including data allowances, battery power, memory and CPU, which would present usability issues for mobile solutions; and(c) even with compression techniques, video conference feeds are significantly larger than images, pdf documents and audio files. Further size reduction of a video feed to match existing file sizes will degrade video quality to the point where it is no longer useful for review. <p>We hence propose that the MAS permits the submission of electronic documents subject to certain offline checks including, before the account opening can be completed and before the first transaction can be commenced (refer examples in Annex 1). We note that under such circumstances, the licensee can also put in place other controls, including, for example, allowing their customers to also make the non-face-to-face transactions only with sufficient security measures like PIN entry and with the provision of notices or messages /receipts to the customers on the transactions. Customers can also request for the</p>
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		<p>same messages and transaction receipts to be sent to an email address to prevent fraud and /or impersonation.</p> <p>(iii) <u>6-12-4 (A) and 6-12-5 of Guidelines and 6.36 of MAS 3001</u></p> <p>The MAS requires the licensee to regularly review the effectiveness of its checks and to have an independent assessment of its checks and methods.</p> <p>We seek confirmation as to whether the requirement in these sections require that:</p> <ul style="list-style-type: none">(i) a licensee obtain an independent opinion of the method chosen before commencing any non-face-to-face registrations or account opening ; or(ii) the licensee obtain an independent opinion or assessment any time before or after it has commenced non-face-to-face registrations or account opening as long as this independent opinion or assessment is tabled with the MAS no later than one year after conduct of the licensee’s non-face-to-face business contact. <p>Furthermore, it is not clear from a reading of 6.36 of MAS Notice 3001 and 6-12-5 of the Guidelines whether this independent assessment is required just once (and no later than one year after commencing the non-face-to-face contact) or required annually except that in either case, it can be carried out by the same external auditor that carries out the annual statutory audit under the current Money Changing and Business Remittance Act (MCRBA).</p> <p><u>Q3</u></p> <p>It is not clear from the proposed amendments whether the MAS intends for these requirements to be imposed on the FX Counterparties in the conventional sense – eg corporate entities like banks and /or larger money transfer houses who can also trade in FX (eg Western Union, Tranglo etc) or the actual end-user on whose behalf we are conducting an FX transaction on the basis that an FX transaction is carried out when remitting a transaction overseas. If it is the end-user, we request clarity as to the purpose of this section when the Customer Due Diligence requirements are already set out in Section 6.</p> <p>If the intention is for Simplified Customer Due Diligence to be carried out on the corporate entities like banks or larger money transfer houses, we do not enter into an FX transaction on behalf of these entities and we would deem that this section does not apply to us.</p>
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6	The Hongkong and Shanghai Banking Corporation Limited	<p><u>General Comment</u> Nil.</p> <p><u>Q1</u></p> <ol style="list-style-type: none"> 1. What is the obligation of Banks whose customers are the 'end-users' of these transactions, e.g. are we to reject cash deposit of our Bank's customers if it became apparent to the Bank that the money changer/remittance licence has breached the proposed revised MAS 3001? Are we required to file an STR, especially in cases where we are otherwise comfortable with the source of funds and commensurate with customers' profiles? 2. If the Bank is obligated to file STR, it would be on best efforts basis. While the Bank does not allow encashment of cash cheque (issued by other banks), these cash cheques would still be banked into the customers' accounts and we may not be able to tell if these cash cheques are from MCRBs. INTERNAL - 2 3. Above is further complicated when the Bank customers happen to be employee of the money changer/remittance licence (where the prohibition technically applies only to 'customers' of the money changer/remittance licence). <p><u>Q2</u> Nil.</p> <p><u>Q3</u> Nil.</p>
7	TransferWise Singapore Pte Ltd	<p><u>General Comment</u> We support the Monetary Authority of Singapore (MAS) proposal of new technology solutions to address money laundering and terrorism financing (ML/FT) risk. The proposed changes provide a framework which clearly indicates the risks licensees should respond to when doing business in a non-face-to-face environment. By taking an outcomes-based approach, MAS achieve the dual goal to support innovation and a framework for licensees to effectively manage ML/FT risk, subject to checks and balances provided through regulatory oversight. Ultimately, we believe our Singapore customers can be better served in a framework that allows us to deploy efficient and innovative approaches.</p> <p><u>Q1</u></p>

		<p>Nil.</p> <p><u>Q2</u> Nil.</p> <p><u>Q3</u> We ask MAS to clarify the proposed amendments are intended to apply to customers of the licensee. A broader definition may have unintended consequences to capture operational activities. We believe the risk is posed by the entity providing the FX service to a customer rather than the licensee who is a customer of the service. We ask MAS to amend the definition of FX counterparty to clarify the application to customers of the licensee.</p>
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