

**RESPONSE TO
FEEDBACK RECEIVED**

JANUARY 2019

**Consultation Paper on
Changes to AML/CFT
Requirements Imposed on
Money-Changing and
Remittance Businesses**

MAS

Monetary Authority of Singapore

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1 Preface

1.1 On 16 January 2018, MAS issued a consultation paper on changes to anti-money laundering or countering the financing of terrorism (“AML/CFT”) requirements imposed on money-changing and remittance businesses.

1.2 The consultation closed on 12 February 2018, and MAS would like to thank all respondents for their contributions. The list of respondents is in Annex A, and the submissions are set out in Annex B¹. The amended MAS Notice 3001 and Guidelines to MAS notice 3001 are in Annex C and Annex D respectively. The new Notice on prohibition of issuance of bearer instruments and restriction in cash pay-outs have been published on MAS website as MAS Notice 3006.

1.3 MAS has considered the feedback received and, where appropriate has incorporated them in the final requirements. Comments that are of wider interest, together with MAS’ responses are set out below.

2 New Notice on Prohibition of Issuance of Bearer Instruments and Restriction in Cash Pay-outs

2.1 Respondents were generally supportive of the proposal to prohibit the issuance of bearer negotiable instruments and restrictions on cash pay-outs. A few respondents expressed concerns that the restrictions on cash pay-outs for inward remittance transaction of an amount equal to or exceeding S\$20,000 would pose operational challenges, such as in the case where the beneficiaries are foreigners with no local bank accounts.

2.2 One respondent requested MAS to provide guidance on the obligation of banks to ensure that licensees do not issue bearer instruments.

MAS’ Response

2.3 Cash and bearer negotiable instruments, such as cash cheques, are anonymous in nature. MAS has considered the trade-off between mitigation of money laundering or terrorism financing (“ML/TF”) risks and operational convenience to licensees and their customers. MAS thus proposed to prohibit payments made using bearer negotiable

¹ Some names and submissions have been omitted based on request for confidentiality by respondents.

instruments and pay-outs in cash of S\$20,000 (or its equivalent in foreign currency) or more. Payments in cheque of S\$20,000 (or its equivalent in foreign currency) or more, may be made subject to certain conditions being met. The quantum of S\$20,000 is consistent with the threshold for reporting of Cross Border movements of Physical Currency and Bearer Negotiable Instruments.²

2.4 In general, recipients who are expecting inward remittances of S\$20,000 or more would have a local bank account. However, there are isolated cases of recipients of inward remittances who do not have a local bank account. MAS is of the view that the overall reduction of ML/TF risk by imposing this measure outweighs the potential inconvenience faced by the recipients in such isolated cases.

2.5 While banks are not expected to ensure that licensees comply with the restrictions on payments in cash and cheques, they should refer any potential breaches of the new measures to MAS, if detected.

3 Amendments to MAS Notice 3001 – Non-Face-to-Face (NFF) Business

3.1 Respondents were generally supportive of MAS' proposals to:

- a) remove the requirement for licensees to seek MAS' approval prior to establishing an account relationship with, or undertaking a relevant business transaction without an account being opened for, a customer without face-to-face contact with the customer ("NFF business"); and
- b) require licensees that conduct NFF business to appoint an external auditor or an independent qualified consultant to assess the effectiveness of policies and procedures put in place to mitigate the risk of NFF business no later than one year after the commencement of such business.

² <https://www.police.gov.sg/about-us/organisational-structure/specialist-staff-departments/commercial-affairs-department/aml-cft/suspicious-transaction-reporting-office/cross-border-cash-movement-reporting>

3.2 Some respondents suggested additions to the list³ of checks for NFF business in the Guidelines to MAS Notice 3001. A few respondents sought clarification on the frequency of the aforementioned independent assessment.

MAS' Response

3.3 The list of checks for NFF business in the Guidelines to MAS Notice 3001 is not exhaustive. Licensees may explore other forms of robust anti-fraud checks.

3.4 The independent assessment in paragraph 3.1(b) should be submitted to MAS no later than one year after commencement of the NFF business. There is no requirement for a licensee to seek an independent assessment before commencing NFF business, but MAS would have no objection if a licensee wishes to do so. The assessment on the effectiveness of the policies and procedures of the NFF business, including the effectiveness of any technology solutions used to manage impersonation risks, is a one-time exercise. The licensee may include the independent assessment as part of their annual audit.

3.5 Subsequently, if there are substantial changes to a licensee's NFF business model, such as the adoption of an entirely different technology solution, the licensee is required to obtain another independent assessment.

4 Amendments to MAS Notice 3001 – FX Counterparties

4.1 Most respondents were concerned with the broad definition of FX counterparties, which could cover a wide range of entities and beyond money-changing or remittance customers. The respondents requested for MAS to refine or clarify the scope of FX counterparties as licensees may procure the foreign currencies from licensed financial institutions. In such cases, respondents were of the view that additional due diligence may not be warranted.

³ This refers to the list of additional checks in paragraph 6-12-3 of the Guidelines to MAS Notice 3001 to mitigate risk of impersonation in cases where the verification of identity of a customer is performed without face-to-face contact.

MAS' Response

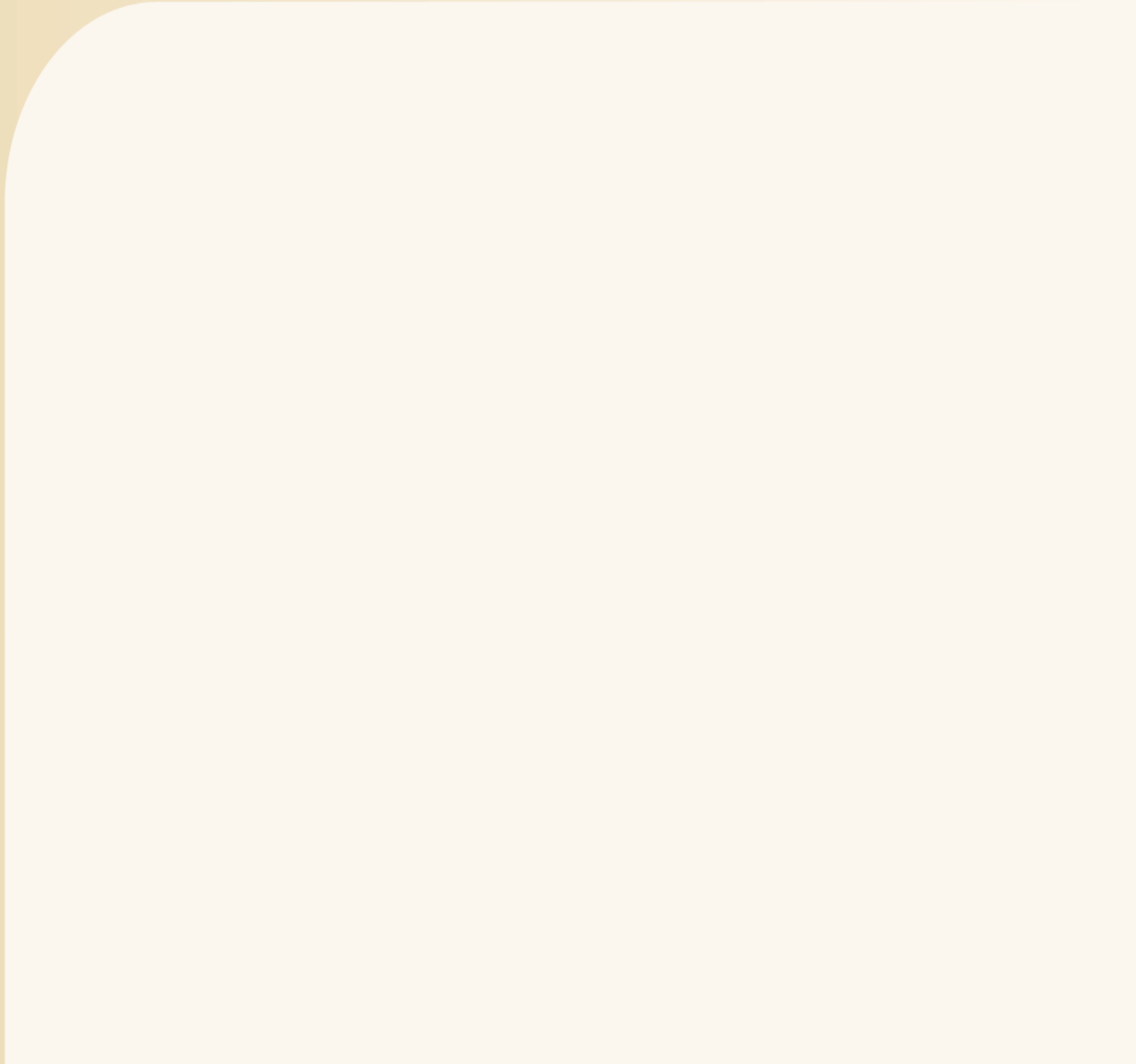
4.2 The proposed requirement was intended to provide an additional layer of control to address the potential ML/TF risk of large FX transactions with unfamiliar counterparties.

4.3 MAS had taken into account the feedback, as well as the new Notice on Prohibition on Issuance of Bearer Negotiable Instruments and Restriction of Cash Pay-out. The new Notice will mitigate ML/TF risks by prohibiting payments using bearer negotiable instruments and large value cash pay-outs. MAS has thus refined the proposed requirement in relation to the performance of customer due diligence measures on FX counterparties to apply only in relation to an FX transaction of value equal to or exceeding S\$20,000 (or its equivalent in foreign currency). In addition, the requirement will not apply if the FX counterparty concerned is -

- a) a financial institution mentioned in section 27A(6) of the MAS Act; or
- b) 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 Financial Action Task Force.

MONETARY AUTHORITY OF SINGAPORE

9 JANUARY 2019



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