

3 January 2016

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(Refer to endnotes for history of amendments)

NOTICE TO THE DEPOSITORY

MONETARY AUTHORITY OF SINGAPORE ACT, CAP. 186

**PREVENTION OF MONEY LAUNDERING AND COUNTERING THE FINANCING OF  
TERRORISM – THE DEPOSITORY**

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**1 INTRODUCTION**

1.1 This Notice is issued pursuant to section 27B of the Monetary Authority of Singapore Act (Cap.186) and applies to the Depository, as defined under section 81SF of the Securities and Futures Act (Cap. 289).

1.2 This Notice shall take effect on 3 January 2016.

**2 DEFINITIONS**

2.1 For the purposes of this Notice, -

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

“Authority” means the Monetary Authority of Singapore;

“beneficial owner”, in relation to a customer of the Depository, means the natural person who ultimately owns or controls the customer or the natural person on whose behalf business relations are established or a transfer is undertaken in the course of business relations, and includes any person who exercises ultimate effective control over a legal person or legal arrangement;

“business relations” means the opening or maintenance of an account by the Depository directly (and not through a depository agent or a financial institution set out in Appendix 2) for a person (whether a natural person, legal person or legal arrangement);

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

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

“connected party” -

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

“customer”, in relation to the Depository, means a person (whether a natural person, legal person or legal arrangement) -

- (a) with whom the Depository establishes or intends to establish business relations; and
- (b) who -
  - (i) transfers or receives any securities; or
  - (ii) intends to transfer any securities or is the intended recipient of any securities,

from one Depository account to another Depository account or other equivalent account in Singapore or elsewhere, that does not relate to a trade on the Singapore Exchange Securities Trading Limited;

“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;

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

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

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

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

“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);

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

“STR” means suspicious transaction report;

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

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

- 2.2 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 SFA.

### **3 UNDERLYING PRINCIPLES**

- 3.1 This Notice is based on the following principles, which shall serve as a guide for the Depository in the conduct of their operations and business activities:
- (a) The Depository 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) The Depository shall conduct its business in conformity with high ethical standards, and guard against establishing any business relations or undertaking any transfer in the course of business relations, that is or may be connected with or may facilitate money laundering or terrorism financing.
  - (c) The Depository 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 The Depository 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; and
  - (c) the products, services, transfers and delivery channels of the Depository.
- 4.2 The appropriate steps referred to in paragraph 4.1 shall include -
- (a) documenting the Depository'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 Depository's risk assessments up-to-date; and
  - (d) having appropriate mechanisms to provide its risk assessment information to the Authority.

### **Risk Mitigation**

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

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

- 5.1 The Depository shall identify and assess the money laundering and terrorism financing risks that may arise in relation to -

- (a) the development of new products and new business practices, including new delivery mechanisms; and
  - (b) the use of new or developing technologies for both new and pre-existing products.
- 5.2 The Depository 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 The Depository shall, in complying with the requirements of paragraphs 5.1 and 5.2, pay special attention to any -
- (a) new products and new business practices, including new delivery mechanisms; and
  - (b) new or developing technologies,
- that favour anonymity.

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

### **Anonymous or Fictitious Account**

- 6.1 The Depository shall not open or maintain an anonymous account or an account in a fictitious name.

### **Where There Are Reasonable Grounds for Suspicion prior to the Establishment of Business Relations**

- 6.2 Prior to the Depository establishing business relations, where the Depository 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 Depository shall -
- (a) not establish business relations or undertake a transfer in the course of business relations with the customer; and
  - (b) file an STR<sup>2</sup>, and extend a copy to the Authority for information.

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

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

6.3 The Depository shall perform the measures as required by paragraphs 6, 7, and 8 when -

- (a) the Depository establishes business relations with any customer;
- (b) there is a suspicion of money laundering or terrorism financing, notwithstanding that the Depository would not otherwise be required by this Notice to perform the measures as required by paragraphs 6, 7 and 8; or
- (c) the Depository has doubts about the veracity or adequacy of any information previously obtained.

(l) Identification of Customer

6.4 The Depository shall identify each customer.

6.5 For the purposes of paragraph 6.4, the Depository 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).

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

6.7 Where the customer is a legal person or legal arrangement, the Depository shall identify the connected parties of the customer, by obtaining at least the following information of each connected party:

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

(II) Verification of Identity of Customer

6.8 The Depository 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, the Depository 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 Persons Appointed to Act on Customer's Behalf

6.9 Where a customer appoints one or more natural persons to act on its behalf in establishing business relations with the Depository or the customer is not a natural person, the Depository 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 of the natural person);
  - (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.

6.10 The Depository shall verify the due authority of each natural person appointed to act on behalf of the customer by obtaining at least the following:

- (a) the appropriate documentary evidence authorising the appointment of such natural person by the customer to act on his or its behalf; and
- (b) the specimen signature of such natural person appointed.

6.11 Where the customer is a Singapore Government entity, the Depository 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 Owners

6.12 Subject to paragraph 6.15, the Depository shall inquire if there exists any beneficial owner in relation to a customer.

6.13 Where there is one or more beneficial owner in relation to a customer, the Depository 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 Depository shall -

(a) for customers that are legal persons -

- (i) identify the natural persons (whether acting alone or together) who ultimately own the legal person;
- (ii) to the extent that there is doubt under subparagraph (i) as to whether the natural persons who ultimately own the legal person are the beneficial owners or where no natural persons ultimately own the legal person, identify the natural persons (if any) who ultimately control the legal person or have ultimate effective control of the legal person; and
- (iii) where no natural persons are identified under subparagraph (i) or (ii) above, identify the natural persons having executive authority in the legal person, or in equivalent or similar positions;

(b) for customers that are legal arrangements -

- (i) for trusts, identify the settlors, the trustees, the protector (if any), the beneficiaries (including every beneficiary that falls within a designated characteristic or class)<sup>3</sup>, and any natural person exercising ultimate ownership, ultimate control or ultimate effective control over the trust (including through a chain of control or ownership); and
- (ii) for other types of legal arrangements, identify persons in equivalent or similar positions, as those described under subparagraph (i).

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

- (a) before making a distribution to that beneficiary; or
- (b) when that beneficiary intends to exercise vested rights.



- 6.14 Where the customer is not a natural person, the Depository shall understand the nature of the customer's business and its ownership and control structure.
- 6.15 The Depository 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;
  - (b) an entity listed on a stock exchange outside of Singapore that is subject to -
    - (i) regulatory disclosure requirements; and
    - (ii) requirements relating to adequate transparency in respect of its beneficial owners (imposed through stock exchange rules, law or other enforceable means);
  - (c) a financial institution set out in Appendix 1;
  - (d) a financial institution incorporated or established outside Singapore that is subject to and supervised for compliance with AML/CFT requirements consistent with standards set by the FATF; or
  - (e) an investment vehicle where the managers are financial institutions -
    - (i) set out in Appendix 1; or
    - (ii) incorporated or established outside Singapore but are subject to and supervised for compliance with AML/CFT requirements consistent with standards set by the FATF,

unless the Depository has doubts about the veracity of the CDD information, or suspects that the customer, business relations with, or transfer undertaken in the course of business relations for the customer may be connected with money laundering or terrorism financing.

- 6.16 For the purposes of paragraph 6.15(d) and 6.15(e)(ii), the Depository shall document the basis for its determination that the requirements in those paragraphs have been duly met.

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

- 6.17 The Depository shall, when processing the application to establish business relations, understand and as appropriate, obtain from the customer information as to the purpose and intended nature of business relations.

(VI) Ongoing Monitoring

- 6.18 The Depository shall monitor on an ongoing basis, its business relations with customers.
- 6.19 The Depository shall, during the course of business relations with a customer, observe the conduct of the customer's account and scrutinise transfers undertaken throughout the course of business relations, to ensure that the transfers are consistent with the Depository's knowledge of the customer, its business and risk profile and where appropriate, the source of funds.
- 6.20 The Depository shall pay special attention to all complex, unusually large or unusual patterns of transfers, undertaken throughout the course of business relations, that have no apparent or visible economic or lawful purpose.
- 6.21 For the purposes of ongoing monitoring, the Depository shall put in place and implement adequate systems and processes, commensurate with the size and complexity of the Depository, to -
- (a) monitor its business relations with customers; and
  - (b) detect and report suspicious, complex, unusually large or unusual patterns of transfers undertaken in the course of business relations.
- 6.22 The Depository shall, to the extent possible, inquire into the background and purpose of the transfers in paragraph 6.20 and document its findings with a view to making this information available to the relevant authorities should the need arise.
- 6.23 The Depository 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.
- 6.24 Where there are any reasonable grounds for suspicion that existing business relations with a customer are connected with money laundering or terrorism financing, and where the Depository considers it appropriate to retain the customer -
- (a) the Depository shall substantiate and document the reasons for retaining the customer; and
  - (b) the customer's business relations with the Depository shall be subject to commensurate risk mitigation measures, including enhanced ongoing monitoring.
- 6.25 Where the Depository assesses the customer or the business relations with the customer referred to in paragraph 6.24 to be of higher risk, the Depository shall perform

enhanced CDD measures, which shall include obtaining the approval of the Depository's senior management to retain the customer.

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

- 6.26 The Depository shall develop policies and procedures to address any specific risks associated with non-face-to-face business relations with a customer or transfers undertaken in the course of business relations for a customer.
- 6.27 The Depository shall implement the policies and procedures referred to in paragraph 6.26 when establishing business relations with a customer and when conducting ongoing due diligence.
- 6.28 Where there is no face-to-face contact, the Depository shall perform CDD measures that are at least as stringent as those that would be required to be performed if there was face-to-face contact.

### **Reliance by the Depository on Measures Already Performed**

- 6.29 When the Depository acquires, either in whole or in part, the business of another financial institution (whether in Singapore or elsewhere), the Depository 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 Depository 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 Depository as to the adequacy of AML/CFT measures previously adopted in relation to the business or part thereof now acquired by the Depository, and document such enquiries.

### **Where Measures are Not Completed**

- 6.30 Where the Depository is unable to complete the measures as required by paragraphs 6, 7 and 8, it shall not commence or continue business relations with any customer. The Depository shall consider if the circumstances are suspicious so as to warrant the filing of an STR.
- 6.31 For the purposes of paragraph 6.30, completion of CDD measures means the situation where the Depository has obtained, screened and verified all necessary CDD information under paragraphs 6, 7 and 8, and where the Depository has received satisfactory responses to all inquiries in relation to such necessary CDD information.

### **Joint Account**

6.32 In the case of a joint account, the Depository shall perform CDD measures on all of the joint account holders as if each of them were individually customers of the Depository.

### **Existing Customers**

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

### **Screening**

6.34 The Depository 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.

6.35 The Depository shall screen the persons referred to in paragraph 6.34 -

- (a) when, or as soon as reasonably practicable after, the Depository establishes business relations with a customer;
- (b) on a periodic basis after the Depository establishes business relations with the customer; and
- (c) when there are any changes or updates to -
  - (i) the lists and information provided by the Authority or other relevant authorities in Singapore to the Depository; or
  - (ii) the natural persons appointed to act on behalf of a customer, connected parties of a customer or beneficial owners of a customer.

6.36 The results of screening and assessment by the Depository shall be documented.

## **7 SIMPLIFIED CUSTOMER DUE DILIGENCE**

7.1 Subject to paragraph 7.4, the Depository 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

Depository is exempted from making inquiries about under paragraph 6.15) 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 Depository.
- 7.3 The simplified CDD measures shall be commensurate with the level of risk, based on the risk factors identified by the Depository.
- 7.4 The Depository 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 Depository for itself or notified to the Depository generally by the Authority, or by other foreign regulatory authorities; or
  - (c) where the Depository suspects that money laundering or terrorism financing is involved.
- 7.5 Subject to paragraphs 7.2, 7.3 and 7.4, the Depository may perform simplified CDD measures in relation to a customer that is a financial institution set out in Appendix 2.
- 7.6 Where the Depository 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 The Depository 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 The Depository 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 Depository 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 Depository’s senior management to establish or continue business relations with the customer;
  - (b) establish, by appropriate and reasonable means, the source of wealth and source of funds of the customer and any beneficial owner of the customer; and
  - (c) conduct, during the course of business relations with the customer, enhanced monitoring of business relations with the customer. In particular, the Depository

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

- 8.4 The Depository may adopt a risk-based approach in determining whether to perform enhanced CDD measures or the extent of enhanced CDD measures to be performed for -
- (a) domestic politically exposed persons, their family members and close associates;
  - (b) international organisation politically exposed persons, their family members and close associates; or
  - (c) politically exposed persons who have stepped down from their prominent public functions, taking into consideration the level of influence such persons may continue to exercise after stepping down from their prominent public functions, their family members and close associates,

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

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

- 8.5 The Depository shall implement appropriate internal risk management systems, policies, procedures and controls to determine if business relations with, or transfers undertaken in the course of business relations with, 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 Depository shall treat any business relations with or transfers undertaken in the course of business relations for any such customer as presenting a higher risk for money laundering or terrorism financing; and
  - (b) where a customer or any beneficial owner of the customer is from or in a country or jurisdiction known to have inadequate AML/CFT measures, as determined by the Depository for itself or notified to the Depository generally by the Authority or other foreign regulatory authorities, the Depository shall assess whether any such customer presents a higher risk for money laundering or terrorism financing.

- 8.7 The Depository shall perform the appropriate enhanced CDD measures in paragraph 8.3 for business relations with or transfers undertaken in the course of business relations for any customer -
- (a) who the Depository determines under paragraph 8.5; or
  - (b) the Authority or other relevant authorities in Singapore notify to the Depository, as presenting a higher risk for money laundering or terrorism financing.
- 8.8 The Depository shall, in taking enhanced CDD measures to manage and mitigate any higher risks that have been identified by the Depository 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.

## **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; and
  - (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 money-changer’s licence or a holder of a remittance licence, or equivalent licences).
- 9.2 Subject to paragraph 9.3, the Depository 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 Depository 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 Depository 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 the Depository has been specifically precluded by the Authority from relying upon; and
  - (d) the third party is able and willing to provide, without delay, upon the Depository’s request, any data, documents or information obtained by the third party with



respect to the measures applied on the Depository's customer, which the Depository would be required or would want to obtain.

- 9.3 The Depository shall not rely on a third party to conduct ongoing monitoring of business relations with customers.
- 9.4 Where the Depository relies on a third party to perform the measures as required by paragraphs 6, 7 and 8, it shall -
- (a) document the basis for its satisfaction that the requirements in paragraph 9.2(a) and (b) have been met, except where the third party is a financial institution set out in Appendix 2; and
  - (b) immediately obtain from the third party the CDD information which the third party had obtained.
- 9.5 For the avoidance of doubt, notwithstanding the reliance upon a third party, the Depository shall remain responsible for its AML/CFT obligations in this Notice.

## **10 CORRESPONDENT ACCOUNTS**

10.1 Paragraph 10 applies to the Depository when it provides correspondent account services in Singapore to a financial institution that is operating outside Singapore.

10.2 For the purposes of paragraph 10 -

“correspondent account services” means the provision of services under a cross-border relationship between the Depository and a respondent financial institution, in relation to the Depository's function as regulated under Part IIIAA of the SFA, whether for that respondent financial institution as principal or for that respondent financial institution's customers;

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

“respondent financial institution” means a financial institution operating outside Singapore to which correspondent account services in Singapore are provided; and

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

- 10.3 The Depository shall perform the following measures, in addition to the measures as required by paragraphs 6, 7 and 8, when providing correspondent account services:
- (a) assess the suitability of the respondent financial institution by taking the following steps:
    - (i) gather adequate information about the respondent financial institution to understand fully the nature of the respondent financial institution's business, including making appropriate inquiries on its management, its major business activities and the countries or jurisdictions in which it operates;
    - (ii) determine from any available sources the reputation of the respondent financial institution and the quality of supervision over the respondent financial institution, including whether it has been the subject of money laundering or terrorism financing investigation or regulatory action; and
    - (iii) assess the respondent financial institution's AML/CFT controls and ascertain that they are adequate and effective, having regard to the AML/CFT measures of the country or jurisdiction in which the respondent financial institution operates;
  - (b) clearly understand and document the respective AML/CFT responsibilities of each financial institution; and
  - (c) obtain approval from the Depository's senior management before providing correspondent account services to a new financial institution.
- 10.4 Where the correspondent account services involve a payable-through account, the Depository shall be satisfied that -
- (a) the respondent financial institution has performed appropriate measures at least equivalent to those specified in paragraph 6 on the third party having direct access to the payable-through account; and
  - (b) the respondent financial institution is able to perform ongoing monitoring of its business relations with that third party and is willing and able to provide CDD information to the Depository upon request.
- 10.5 The Depository shall document the basis for its satisfaction that the requirements in paragraphs 10.3 and 10.4 are met.
- 10.6 The Depository shall not enter into or continue correspondent account relations with another financial institution that does not have adequate controls against money laundering or terrorism financing activities, is not effectively supervised by the relevant authorities, or is a shell financial institution.

- 10.7 The Depository shall also take appropriate measures when establishing correspondent account services relationship, to satisfy itself that its respondent financial institutions do not permit their accounts to be used by shell financial institutions.

## **11 RECORD KEEPING**

- 11.1 The Depository shall, in relation to all data, documents and information that the Depository is required to obtain or produce to meet the requirements under this Notice, prepare, maintain and retain records of such data, documents and information.
- 11.2 The Depository shall perform the measures as required by paragraph 11.1 such that -
- (a) all requirements imposed by law (including this Notice) are met;
  - (b) any individual transfer undertaken by the Depository can be reconstructed (including the amounts and types 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 Depository are able to review the Depository's business relations, transfers undertaken in the course of business relations, records and CDD information and assess the level of compliance with this Notice; and
  - (d) the Depository can satisfy, within a reasonable time or any more specific time period imposed by law or by the requesting authority, any enquiry or order from the relevant authorities in Singapore for information.
- 11.3 Subject to paragraph 11.5 and any other requirements imposed by law, the Depository shall, for the purposes of record retention under paragraph 11.1 and 11.2, and when setting its record retention policies, comply with the following record retention periods:
- (a) for CDD information relating to the business relations, as well as account files, business correspondence and results of any analysis undertaken, a period of at least 5 years following the termination of such business relations; and
  - (b) for data, documents and information relating to a transfer undertaken in the course of business relations, including any information needed to explain and reconstruct the transfer, a period of at least 5 years following the completion of the transfer.
- 11.4 The Depository may retain data, documents and information as originals or copies, in paper or electronic form or on microfilm, provided that they are admissible as evidence in a Singapore court of law.

11.5 The Depository shall retain records of data, documents and information on all its business relations with or transfers undertaken in the course of business relations for a customer pertaining to a matter which is under investigation or which has been the subject of an STR, in accordance with any request or order from STRO or other relevant authorities in Singapore.

## 12 PERSONAL DATA

12.1 For the purposes of paragraph 12, “individual” means a natural person, whether living or deceased.

12.2 Subject to paragraph 12.3 and for the purposes of complying with this Notice, the Depository 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 Depository;
- (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 Depository; 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 Depository.

12.3 The Depository 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 Depository:
  - (i) his full name, including any alias;
  - (ii) his unique identification number (such as an identity card number, birth certificate number or passport number);
  - (iii) his residential address;
  - (iv) his date of birth;
  - (v) his nationality;

- (vi) subject to section 21(2) and (3) read with the Fifth Schedule to the Personal Data Protection Act 2012 (Act 26 of 2012), any other personal data of the respective individual provided by that individual to the Depository; 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 Depository is satisfied that there are reasonable grounds for such request.
- 12.4 For the purposes of complying with this Notice, the Depository may, whether directly or through a third party, collect, use and disclose personal data of an individual customer, an individual appointed to act on behalf of a customer, an individual connected party of a customer or an individual beneficial owner of a customer, without the respective individual's consent.

### **13 SUSPICIOUS TRANSACTIONS REPORTING**

- 13.1 The Depository shall keep in mind the provisions in the CDSA<sup>4</sup> and in the TSOFA that provide for the reporting to the authorities of transactions suspected of being connected with money laundering or terrorism financing and implement appropriate internal policies, procedures and controls for meeting its obligations under the law, including the following:
  - (a) establish a single reference point within the organisation to whom all employees and officers are instructed to promptly refer all transfers undertaken in the course of business relations suspected of being connected with money laundering or terrorism financing, for possible referral to STRO via STRs; and
  - (b) keep records of all transfers referred to STRO, together with all internal findings and analysis done in relation to them.
- 13.2 The Depository shall promptly submit reports on suspicious transfers undertaken in the course of business relations (including attempted transfers), regardless of the amount of the transfer, to STRO, and extend a copy to the Authority for information.
- 13.3 The Depository 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 Depository is for any reason unable to complete the measures as required by paragraphs 6, 7 and 8; or

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<sup>4</sup> Please note in particular section 48 of the CDSA on tipping-off.

- (b) the customer is reluctant, unable or unwilling to provide any information requested by the Depository, decides to withdraw a pending application to establish business relations or a pending transfer to be undertaken in the course of business relations, or to terminate existing business relations.

13.4 Where the Depository 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 or a connected party of the customer, or a beneficial owner of the customer, the Depository may stop performing those measures, shall document the basis for its assessment and file an STR.

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

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

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

### **Compliance**

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

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

### **Audit**

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

### **Employee Hiring**

14.6 The Depository shall have in place screening procedures to ensure high standards when hiring employees and appointing officers.

## Training

- 14.7 The Depository shall take all appropriate steps to ensure that its employees and officers are regularly and appropriately trained on -
- (a) AML/CFT laws and regulations, and in particular, CDD measures, detecting and reporting of suspicious transfers;
  - (b) prevailing techniques, methods and trends in money laundering and terrorism financing; and
  - (c) the Depository's internal policies, procedures and controls on AML/CFT and the roles and responsibilities of employees, officers and representatives in combating money laundering and terrorism financing.

## Endnotes on History of Amendments

1. MAS Notice SFA03AA-N01 dated 3 January 2016.
  - (a) MAS Notice SFA03AA-N01 (Amendment) 2021 with effect from 1 July 2021.

## 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).

[MAS Notice SFA03AA-N01 (Amendment) 2021]

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).  
[MAS Notice SFA03AA-N01 (Amendment) 2021]
2. Merchant banks in Singapore licensed under the Banking Act.  
[MAS Notice SFA03AA-N01 (Amendment) 2021]
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.