

MAS 1014

2 July 2007

Last revised on 23 January 2013

(Refer to endnotes for history of amendments)

NOTICE TO MERCHANT BANKS

MONETARY AUTHORITY OF SINGAPORE ACT, CAP. 186

PREVENTION OF MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM – MERCHANT BANKS

1 INTRODUCTION

1.1 This Notice is issued pursuant to section 27B of the Monetary Authority of Singapore Act (Cap. 186) and applies to all merchant banks in Singapore.

1.2 This Notice shall take immediate effect.

2 DEFINITIONS

2.1 For the purposes of this Notice —

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

“beneficial owner”, in relation to a customer of a merchant bank, means the natural person who ultimately owns or controls a customer or the person on whose behalf a transaction is being conducted and includes the person who exercises ultimate effective control over a body corporate or unincorporate;

“business relations” means the opening or maintenance of an account by the merchant bank in the name of a person and the undertaking of transactions by the merchant bank for that person on that account;

“company” includes a body corporate formed or established outside Singapore

under the law of the country or jurisdiction;

“CDD measures” or “customer due diligence measures” means the process of identifying the customer and obtaining information required by paragraph 4;

“customer”, in relation to a merchant bank, means a person in whose name an account is opened or intended to be opened, or for whom the merchant bank undertakes or intends to undertake any transaction without an account being opened;

“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;

“merchant bank” means a merchant bank in Singapore, approved as a financial institution under section 28 of the Monetary Authority of Singapore Act;

“STR” means suspicious transaction report; and

“STRO” means the Suspicious Transactions Reporting Office, Commercial Affairs Department of the Singapore Police Force.

- 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 A reference to the completion of CDD measures is a reference to the situation when the merchant bank has received satisfactory responses to all inquiries.
- 2.4 Unless the context otherwise requires, a reference to a financial institution supervised by the Authority does not include a person who is exempted from licensing, approval or regulation by the Authority.

3 UNDERLYING PRINCIPLES

- 3.1 This Notice is based on the following principles, which shall serve as a guide for all merchant banks in the conduct of their operations and business activities:
 - (a) A merchant bank must exercise due diligence when dealing with

customers, persons appointed to act on the customer's behalf and beneficial owners.

- (b) A merchant bank must conduct its business in conformity with high ethical standards, and guard against undertaking any transaction that is or may be connected with or may facilitate money laundering or terrorist financing.
- (c) A merchant bank should, whenever possible and to the fullest extent possible, assist and cooperate with the relevant law enforcement authorities in Singapore in preventing money laundering and terrorist financing.

4 CUSTOMER DUE DILIGENCE

Anonymous or Fictitious Account

- 4.1 No merchant bank shall open or maintain anonymous accounts or accounts in fictitious names.

When CDD Measures are to be Performed

- 4.2 A merchant bank shall perform CDD measures in accordance with this Notice when —
 - (a) the merchant bank establishes business relations with any customer;
 - (b) the merchant bank undertakes any transaction of a value exceeding S\$20,000 for any customer who has not otherwise established business relations with the merchant bank;
 - (c) there is a suspicion of money laundering or terrorist financing, notwithstanding that the merchant bank would otherwise not be required by this Notice to perform CDD measures; or
 - (d) the merchant bank has doubts about the veracity or adequacy of any information previously obtained.

CDD Measures where Business Relations are Established

(I) Identification of Customers

- 4.3 A merchant bank shall identify each customer who applies to the merchant bank to establish business relations.
- 4.4 For the purpose of paragraph 4.3, a merchant bank shall obtain and record information of the customer, including but not limited to the following:
- (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) Existing residential address, registered or business address (as may be appropriate) and contact telephone number(s);
 - (d) Date of birth, incorporation or registration (as may be appropriate); and
 - (e) Nationality or place of incorporation or registration (as may be appropriate).
- 4.5 Where the customer is a company, the merchant bank shall, apart from identifying the customer, also identify the directors of the company.
- 4.6 Where the customer is a partnership or a limited liability partnership, the merchant bank shall, apart from identifying the customer, also identify the partners.
- 4.7 Where the customer is any other body corporate or unincorporate, the merchant bank shall, apart from identifying the customer, also identify the persons having executive authority in that body corporate or unincorporate.

(II) Verification of Identity

4.8 A merchant bank shall verify the identity of the customer using reliable, independent sources.

4.9 A merchant bank shall retain copies of all reference documents used to verify the identity of the customer.

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

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

(a) identify the natural persons that act or are appointed to act on behalf of the customer;

(b) verify the identity of these persons using reliable, independent sources; and

(c) retain copies of all reference documents used to verify the identity of these persons.

4.11 A merchant bank shall verify the due authority of such persons to act on behalf of the customer.

4.12 A merchant bank shall verify the due authority of such persons to act by obtaining, including but not limited to the following:

(a) the appropriate documentary evidence that the customer has appointed the persons to act on its behalf, and

(b) the specimen signatures of the persons appointed.

4.13 Where the customer is a Singapore government entity, the merchant bank 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

- 4.14 Subject to paragraph 4.17, a merchant bank shall inquire if there exists any beneficial owner in relation to a customer.
- 4.15 Where there is one or more beneficial owner in relation to a customer, the merchant bank shall take reasonable measures to obtain information sufficient to identify and verify the identities of the beneficial owner.
- 4.16 Where the customer is not a natural person, the merchant bank shall take reasonable measures to understand the ownership and control structure of the customer.
- 4.17 A merchant bank shall not be required to inquire if there exists any beneficial owner in relation to a customer that is —
- (a) a Singapore government entity;
 - (b) a foreign government entity;
 - (c) an entity listed on the Singapore Exchange;
 - (d) an entity listed on a stock exchange outside of Singapore that is subject to regulatory disclosure requirements;
 - (e) a financial institution supervised by the Authority (other than a holder of a money changer's licence or a holder of a remittance licence, unless specifically notified by the Authority);
 - (f) 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
 - (g) an investment vehicle where the managers are financial institutions —
 - (i) supervised by the Authority; 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 merchant bank suspects that the transaction is connected with money laundering or terrorist financing.

- 4.18 For the purposes of paragraphs 4.17(f) and 4.17(g)(ii), a merchant bank 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

- 4.19 A merchant bank shall obtain from the customer, when processing the application to establish business relations, information as to the purpose and intended nature of business relations.

(VI) Ongoing Monitoring

- 4.20 A merchant bank shall monitor on an ongoing basis, its business relations with customers.

- 4.21 A merchant bank shall, during the course of business relations, observe the conduct of the customer's account and scrutinise transactions undertaken to ensure that the transactions are consistent with the merchant bank's knowledge of the customer, its business and risk profile and where appropriate, the source of funds.

- 4.22 A merchant bank shall pay special attention to all complex or unusually large transactions or unusual patterns of transactions that have no apparent or visible economic or lawful purpose.

- 4.23 A merchant bank shall, to the extent possible, inquire into the background and purpose of the transactions in paragraph 4.22 and document its findings with a view to making this information available to the relevant competent authorities should the need arise.

- 4.24 A merchant bank shall periodically review the adequacy of customer identification information obtained in respect of customers and beneficial owners and ensure that the information is kept up to date, particularly for higher risk categories of customers.

Non-Face-to-Face Verification

- 4.25 A merchant bank shall put in place policies and procedures to address any specific risks associated with non-face-to-face business relationships or transactions.
- 4.26 A merchant bank shall implement the policies and procedures referred to in paragraph 4.25 when establishing customer relationships and when conducting ongoing due diligence.
- 4.27 Where there is no face-to-face contact, the merchant bank shall carry out CDD measures that are as stringent as those that would be required to be performed if there were face-to-face contact.

Reliance on Identification and Verification Already Performed

- 4.28 When a merchant bank (“acquiring merchant bank”) acquires, either in whole or in part, the business of another financial institution (whether in Singapore or elsewhere), the acquiring merchant bank shall perform CDD measures on the customers acquired with the business at the time of acquisition except where the acquiring merchant bank has —
- (a) acquired at the same time all corresponding customer records (including customer identification 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 merchant bank as to the adequacy of AML/CFT measures previously adopted in relation to the business or part thereof now acquired by the acquiring merchant bank.

CDD Measures for Non-Account Holders

- 4.29 A merchant bank that undertakes any transaction of a value exceeding S\$20,000 for any customer who does not otherwise have business relations with the merchant bank shall —

- (a) establish and verify the identity of the customer as if the customer had applied to the merchant bank to establish business relations; and
 - (b) record adequate details of the transaction so as to permit the reconstruction of the transaction, including the nature and date of the transaction, the type and amount of currency involved, the value date, and the details of the payee or beneficiary.
- 4.30 Where a merchant bank suspects that two or more transactions are or may be related, linked or the result of a deliberate restructuring of an otherwise single transaction into smaller transactions in order to evade the measures provided for in this Notice, the merchant bank shall treat the transactions as a single transaction and aggregate their values for the purpose of this Notice.

Timing for Verification

- 4.31 Subject to paragraph 4.32 of this Notice, a merchant bank shall complete verification of the identity of the customer and beneficial owner —
- (a) before the merchant bank establishes business relations; or
 - (b) before the merchant bank undertakes any transaction for a customer, where the customer does not have business relations with the merchant bank.
- 4.32 A merchant bank may establish business relations with a customer before completing the verification of the identity of the customer and beneficial owner if —
- (a) the deferral of completion of the verification of the identity of the customer and beneficial owner is essential in order not to interrupt the normal conduct of business operations; and
 - (b) the risks of money laundering and terrorist financing can be effectively managed by the merchant bank.
- 4.33 Where the merchant bank establishes business relations before verification of the identity of the customer or beneficial owner, the merchant bank shall complete such verification as soon as is reasonably practicable.

Where CDD Measures are Not Completed

- 4.34 Where the merchant bank is unable to complete CDD measures, it shall terminate the business relationship and consider if the circumstances are suspicious so as to warrant the filing of an STR.

Joint Account

- 4.35 In the case of a joint account, a merchant bank shall perform CDD measures on all of the joint account holders as if each of them were individually customers of the merchant bank.

Existing Customers

- 4.36 A merchant bank shall perform such CDD measures as may be appropriate to its existing customers having regard to its own assessment of materiality and risk.

5 SIMPLIFIED CUSTOMER DUE DILIGENCE

- 5.1 Subject to paragraph 5.2, a merchant bank may perform such simplified CDD measures as it considers adequate to effectively identify and verify the identity of the customer, a natural person appointed to act on the customer's behalf and any beneficial owner if it is satisfied that the risks of money laundering and terrorist financing are low.

- 5.2 No merchant bank shall perform simplified CDD measures in the following circumstances:

- (a) where the customers are from or in countries and jurisdictions known to have inadequate AML/CFT measures, as determined by the merchant bank for itself or notified to merchant banks generally by the Authority or by other foreign regulatory authorities; or

[MAS Notice 1014 (Amendment) 2009]

- (b) where the merchant bank suspects that money laundering or terrorist financing is involved.

[MAS Notice 1014 (Amendment) 2009]

- 5.3 A merchant bank may perform simplified CDD measures in relation to a customer that is a financial institution supervised by the Authority (other than a holder of a money changer's licence or a holder of a remittance licence, unless specifically notified by the Authority).
- 5.4 Where the merchant bank performs simplified CDD measures in relation to a customer, it shall document —
- (a) the details of its risk assessment; and
 - (b) the nature of the simplified CDD measures.

6 ENHANCED CUSTOMER DUE DILIGENCE

Politically Exposed Persons

- 6.1 For the purposes of paragraph 6 —

“politically exposed person” means —

- (a) a natural person who is or has been entrusted with prominent public functions whether in Singapore or a foreign country;
[MAS Notice 1014 (Amendment) 2009]
- (b) immediate family members of such a person; or
- (c) close associates of such a person.

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

- 6.2 A merchant bank shall, in addition to performing CDD measures specified in paragraph 4, perform enhanced CDD measures in relation to politically exposed persons, including but not limited to the following:
- (a) implement appropriate internal policies, procedures and controls to determine if a customer or beneficial owner is a politically exposed

person;

- (b) obtain approval from the merchant bank's senior management to establish or continue business relations where the customer or a beneficial owner is a politically exposed person or subsequently becomes a politically exposed person;
- (c) establish, by appropriate and reasonable means, the source of wealth and source of funds of the customer or beneficial owner; and
- (d) conduct, during the course of business relations, enhanced monitoring of business relations with the customer.

Other High Risk Categories

- 6.3 A merchant bank shall perform enhanced CDD measures in paragraph 6.2 for such other categories of customers, business relations or transactions as the merchant bank may assess to present a higher risk for money laundering and terrorist financing.
- 6.4 A merchant bank shall give particular attention to business relations and transactions with any person from or in countries and jurisdictions known to have inadequate AML/CFT measures, as determined by the merchant bank for itself or notified to merchant banks generally by the Authority or other foreign regulatory authorities.

7 PERFORMANCE OF CDD MEASURES BY INTERMEDIARIES

- 7.1 Subject to paragraph 7.2, a merchant bank may rely on an intermediary to perform the CDD measures in paragraph 4 of this Notice if the following requirements are met:
 - (a) the merchant bank is satisfied that the intermediary 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 measures in place to comply with those requirements;
 - (b) the intermediary is not one on which merchant banks have been specifically precluded by the Authority from relying;

- (c) the intermediary is able and willing to provide, without delay, upon the merchant bank's request, any document obtained by the intermediary which the merchant bank would be required or would want to obtain.

[MAS Notice 1014 (Amendment) 2009]

7.2 No merchant bank shall rely on an intermediary to conduct ongoing monitoring of customers.

7.3 Where a merchant bank relies on an intermediary to perform the CDD measures, it shall:

- (a) document the basis for its satisfaction that the requirements in paragraph 7.1(a) have been met except where the intermediary is a financial institution supervised by the Authority (other than a holder of a money changer's licence or a holder of a remittance licence); and

[MAS Notice 1014 (Amendment) 2009]

- (b) immediately obtain from the intermediary the CDD information which the intermediary had obtained.

[MAS Notice 1014 (Amendment) 2009]

7.4 For the avoidance of doubt, notwithstanding the reliance upon an intermediary, the merchant bank shall remain responsible for its AML/CFT obligations in this Notice.

8 CORRESPONDENT BANKING

8.1 Paragraph 8 applies to a merchant bank in Singapore when it provides correspondent banking services in Singapore to another bank or financial institution that is operating outside Singapore.

8.2 For the purposes of paragraph 8 —

- (a) “correspondent bank” means the merchant bank in Singapore that provides or intends to provide correspondent banking services in Singapore;

- (b) “cross-border correspondent banking” means correspondent banking

services provided to a bank or financial institution that is operating outside Singapore;

- (c) “payable-through account” means an account maintained at the correspondent bank by the respondent bank but which is accessible directly by a third party to effect transactions on its own behalf;
- (d) “respondent bank” means the bank or financial institution outside Singapore to whom correspondent banking services in Singapore are provided; and
- (e) “shell bank” means a bank incorporated, formed or established in a country or jurisdiction where the bank has no physical presence and which is unaffiliated to a regulated financial group.

8.3 A merchant bank in Singapore shall perform the following measures when providing cross-border correspondent banking services —

- (a) assess the suitability of the respondent bank by taking the following steps:
 - (i) gather adequate information about the respondent bank to understand fully the nature of the respondent bank’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 bank and, as far as practicable, the quality of supervision over the respondent bank, including where possible whether it has been the subject of money laundering or terrorist financing investigation or regulatory action; and
 - (iii) assess the respondent bank’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 bank operates;
- (b) document the respective AML/CFT responsibilities of each bank; and

- (c) obtain approval from the merchant bank's senior management to provide new correspondent banking services.

8.4 Where the cross-border banking services involve a payable-through account, the correspondent bank shall be satisfied that —

- (a) the respondent bank has performed appropriate CDD measures at least equivalent to those specified in paragraph 4 on the third party having direct access to the payable-through account; and
- (b) the respondent bank is able to perform ongoing monitoring of its business relations with that third party and is willing and able to provide customer identification information to the correspondent bank upon request.

8.5 The correspondent bank shall document the basis for its satisfaction that the requirements in paragraphs 8.3 and 8.4 are met.

8.6 No merchant bank in Singapore shall enter into or continue correspondent banking relations with those that do not have adequate controls against criminal activities or that are not effectively supervised by the relevant authorities, or a shell bank.

[MAS Notice 1014 (Amendment) 2013]

8.7 A merchant bank shall also take appropriate measures when establishing correspondent banking relations, to satisfy itself that its respondent banks do not permit their accounts to be used by shell banks.

9 WIRE TRANSFERS

9.1 Paragraph 9 shall apply to a merchant bank in Singapore when it effects the sending of funds by wire transfer or when it receives funds by wire transfer on the account of a person but shall not apply to a transfer and settlement between the merchant bank and another financial institution where the merchant bank and the other financial institution are acting on their own behalf as the wire transfer originator and the beneficiary institution.

9.2 For the purposes of paragraph 9 —

“beneficiary institution” means the financial institution that receives the funds on the account of the wire transfer beneficiary;

“cross-border wire transfer” means a wire transfer where the ordering institution and the beneficiary institution are in different countries or jurisdictions;

“intermediary institution” means the financial institution that is an intermediary in the wire transfer payment chain;

“ordering institution” means the financial institution that acts on the instructions of the wire transfer originator in sending the funds;

“wire transfer beneficiary” means the person to whom or for whose benefit the funds are sent; and

“wire transfer originator” means the person who initiates the sending of funds.

Responsibility of the Ordering Institution

(I) Identification and Recording of Information

9.3 Before effecting a wire transfer, every merchant bank that is an ordering institution shall —

- (a) identify the wire transfer originator and verify his identity (if the merchant bank has not already done so by virtue of paragraph 4); and
- (b) record adequate details of the wire transfer so as to permit its reconstruction, including at least the date of the wire transfer, the type and amount of currency involved, the value date and the details of the wire transfer beneficiary and the beneficiary institution.

(II) Cross-border Wire Transfers Exceeding S\$2,000

9.4 In a cross-border wire transfer where the amount to be transferred exceeds S\$2,000, every merchant bank which is an ordering institution shall include in the message or payment instruction that accompanies or relates to the wire transfer the following:

- (a) the name of the wire transfer originator;
- (b) the wire transfer originator's account number (or unique reference number assigned by the ordering institution where no account number exists); and
- (c) the wire transfer originator's address, unique identification number, or date and place of birth.

(III) Domestic Wire Transfers

9.5 In a domestic wire transfer, every merchant bank that is an ordering institution shall either —

- (a) include in the message or payment instruction that accompanies or relates to the wire transfer all of the originator information required to be included as if the transaction had been a cross-border wire transfer exceeding S\$2,000; or
- (b) include only the originator's account number (or unique reference number where no account number exists) but be in a position to make the remaining originator information available within 3 working days of a request being made by the beneficiary institution.

Responsibility of the Beneficiary Institution

9.6 A merchant bank that is a beneficiary institution shall implement appropriate internal risk-based policies, procedures and controls for identifying and handling in-coming wire transfers that are not accompanied by complete originator information.

Responsibility of Intermediary Institution

9.7 A merchant bank that is an intermediary institution shall, in passing onward the message or payment instruction, maintain all the required originator information with the wire transfer.

10 RECORD KEEPING

- 10.1 A merchant bank shall prepare, maintain and retain documentation on all its business relations and transactions with its customers such that —
- (a) all requirements imposed by law (including this Notice) are met;
 - (b) any transaction undertaken by the merchant bank can be reconstructed so as to provide, if necessary, evidence for prosecution of criminal activity;
 - (c) the relevant competent authorities in Singapore and the internal and external auditors of the merchant bank are able to review the merchant bank's transactions and assess the level of compliance with this Notice; and
 - (d) the merchant bank can satisfy, within a reasonable time or any more specific time period imposed by law, any enquiry or order from the relevant competent authorities in Singapore for information.
- 10.2 Subject to paragraph 10.4 and any other requirements imposed by law, a merchant bank shall, when setting its record retention policies, comply with the following document retention periods:
- (a) a period of at least 5 years following the termination of business relations for customer identification information, and other documents relating to the establishment of business relations, as well as account files and business correspondence; and
 - (b) a period of at least 5 years following the completion of the transaction for records relating to a transaction, including any information needed to explain and reconstruct the transaction.
- 10.3 A merchant bank may retain documents 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.
- 10.4 A merchant bank shall retain records pertaining to a matter which is under investigation or which has been the subject of an STR for such longer period as may be necessary in accordance with any request or order from STRO or from

other relevant competent authorities.

11 SUSPICIOUS TRANSACTIONS REPORTING

11.1 A merchant bank shall keep in mind the provisions in the Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act¹ and in the Terrorism (Suppression of Financing) Act (Cap. 325) that provide for the reporting to the competent authorities of transactions suspected of being connected with money laundering or terrorist 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 are instructed to promptly refer all transactions suspected of being connected with money-laundering or terrorist 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.

[MAS Notice 1014 (Amendment) 2013]

11.2 A merchant bank shall submit reports on suspicious transactions (including attempted transactions) to STRO, and extend a copy to the Authority for information.

11.3 A merchant bank shall consider if the circumstances are suspicious so as to warrant the filing of an STR and document the basis for its determination where —

- (a) the merchant bank is for any reason unable to complete CDD measures; or
- (b) the customer is reluctant, unable or unwilling to provide any information requested by the merchant bank, decides to withdraw a pending application to establish business relations or a pending transaction, or to terminate existing business relations.

¹ Please note in particular section 48 of the Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act on tipping-off.

12 INTERNAL POLICIES, COMPLIANCE, AUDIT AND TRAINING

- 12.1 A merchant bank shall develop and implement internal policies, procedures and controls to help prevent money laundering and terrorist financing and communicate these to its employees.
- 12.2 The policies, procedures and controls shall include, amongst other things, CDD measures, record retention, the detection of unusual and/or suspicious transactions and the obligation to make suspicious transaction reports.
- 12.3 A merchant bank shall take into consideration money laundering and terrorist financing threats that may arise from the use of new or developing technologies, especially those that favour anonymity, in formulating its policies, procedures and controls.

Group Policy

- 12.4 A merchant bank that is incorporated in Singapore shall develop a group policy on AML/CFT and extend this to all of its branches and subsidiaries outside Singapore.
- 12.5 Where a merchant bank has a branch or subsidiary in a host country or jurisdiction known to have inadequate AML/CFT measures (as determined by the merchant bank for itself or notified to merchant banks generally by the Authority or by other foreign regulatory authorities), the merchant bank shall ensure that its group policy on AML/CFT is strictly observed by the management of that branch or subsidiary.
- 12.6 Where the AML/CFT requirements in the host country or jurisdiction differ from those in Singapore, the merchant bank 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.
- 12.7 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 merchant bank's head office shall report this to the Authority and comply with such further directions as may be given by the Authority.

Compliance

- 12.8 A merchant bank shall develop appropriate compliance management arrangements, including at least, the appointment of a management level officer as the AML/CFT compliance officer.
- 12.9 A merchant bank shall ensure that the AML/CFT compliance officer, as well as any other persons appointed to assist him, has timely access to all customer records and other relevant information which they require to discharge their functions.

Audit

- 12.10 A merchant bank shall maintain an audit function that is adequately resourced and independent, and which will be able to regularly assess the effectiveness of the merchant bank's internal policies, procedures and controls, and its compliance with regulatory requirements.

Employee Hiring

- 12.11 A merchant bank shall have in place screening procedures to ensure high standards when hiring employees.

Training

- 12.12 A merchant bank shall take all appropriate steps to ensure that its employees and officers² (whether in Singapore or overseas) are regularly and appropriately trained on —
- (a) AML/CFT laws and regulations, and in particular, CDD measures, detecting and reporting of suspicious transactions;
 - (b) prevailing techniques, methods and trends in money laundering and terrorist financing; and

² "Officer" –

- (a) in relation to a licensee that is a body corporate (other than a limited liability partnership), means any director or any member of the committee of management of the body corporate;
 - (b) in relation to a licensee that is a partnership (including a limited liability partnership), means any partner and manager (in the case of a limited liability partnership) ; and
 - (c) in relation to a licensee that is a body unincorporate (other than a partnership), means any member of the committee of management of the body unincorporate,
- where applicable.

- (c) the merchant bank's internal policies, procedures and controls on AML/CFT and the roles and responsibilities of employees and officers in combating money laundering and terrorist financing.
[MAS Notice 1014 (Amendment) 2013]

Endnotes on History of Amendments

1. MAS Notice 1014 (Amendment) 2009 dated 3 July 2009.
2. MAS Notice 1014 (Amendment) 2013 dated 23 January 2013.