



Monetary Authority of Singapore

**DIRECT LIFE INSURERS:  
GUIDANCE ON AML/CFT  
CONTROLS**

MAS INFORMATION PAPER

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May 2015

## **1 INTRODUCTION**

1.1 This paper aims to provide direct life insurers (“insurers”) with guidance on strengthening their controls for preventing money laundering and terrorism financing (“ML/TF”).

1.2 The observations in this paper were drawn from the Monetary Authority of Singapore (“MAS”)’s review of the anti-money laundering and countering the financing of terrorism (“AML/CFT”) practices of insurers for the period from 2012 to 2014. The review focused on the risk assessment, key controls and customer due diligence processes of insurers for addressing ML/TF risks. Insurers should pay close attention to the sound practices highlighted in this paper and apply them in a risk-based and proportionate manner, taking into account the size, nature and complexity of their business.

1.3 International best practices and recommendations of the Financial Action Task Force (“FATF”) evolve over time. MAS has recently updated its AML/CFT requirements to take these into account. MAS expects insurers to review their practices continually to ensure that their AML/CFT measures remain effective to detect and curtail ML/TF risks.

1.4 Insurers should note that the content of this paper is not exhaustive and does not modify or supersede any applicable laws, regulations and notices.

## **2 EXECUTIVE SUMMARY**

2.1 The life insurance sector has been growing over the years. The sector was assessed as not highly susceptible to ML/TF risks in the Singapore ML/TF Risk Assessment Report (2013). However, life insurers should be mindful that ML/TF risks still exist. Insurers are required to put in place strong controls to detect and curtail these risks.

2.2 Insurers should establish and maintain a robust AML/CFT framework that includes a comprehensive risk assessment, screening process and controls to mitigate any ML/TF risks. A customer acceptance/review policy that includes various ML/TF risk indicators is important. It ensures that insurers detect customers with high ML/TF risks before the inception of new business. Insurers should also update and document their policies, procedures and controls in line with changes to their business environment and AML/CFT requirements. Insurers should recognise the importance of AML/CFT training for their staff and the critical role that the compliance function plays in maintaining a robust AML/CFT framework.

2.3 Insurers have enhanced their AML/CFT frameworks over the years and put in place adequate policies and procedures to combat ML/TF. However, the effectiveness of their AML/CFT frameworks could be undermined by poor implementation of controls. It is therefore important for Board and senior management to promote a strong risk and compliance culture within their organisations and have monitoring and reporting mechanisms to support the effective implementation of AML/CFT controls.

### **3 OBSERVATIONS**

#### **A Customer Due Diligence (“CDD”) Measures and Screening Processes**

3.1 Paragraphs 6.2(a) and 6.3<sup>1</sup> of MAS 314 (Prevention of Money Laundering and Countering the Financing of Terrorism for Life Insurers) (“MAS 314”) state that insurers shall implement appropriate internal policies, procedures and controls to determine if a customer or beneficial owner (“BO”) is a politically exposed person (“PEP”) and for other categories of customers, business relations or transactions that may present a higher risk for ML/TF.

3.2 For this purpose, MAS 314 requires insurers to have proper CDD measures in order to identify and verify their customers. Insurers should also implement screening processes to help detect PEPs and customers with high ML/TF risks.

3.3 Overall, MAS noted that insurers have put in place and documented appropriate risk management frameworks and processes to identify, assess and control ML/TF risks associated with their customers’ profiles. These frameworks and processes were in place, both at the point of onboarding and on an ongoing basis, to ensure that customers, business relations and transactions with high ML/TF risks were appropriately identified in a timely manner and were subjected to enhanced CDD measures.

##### **(i) Screening processes**

3.4 Most insurers performed screening of potential customers using commercial databases before onboarding. Some insurers supplemented these databases with their own internally compiled lists. This was to ensure that they detected PEPs and customers with high ML/TF risks, and performed the necessary enhanced CDD measures, including obtaining the necessary senior management approval before establishing business relations with these customers. Insurers also performed regular screening of their existing customer base against the same databases. The ongoing screening process allows insurers to promptly identify customers who are, or subsequently become, PEPs or people with high ML/TF risks.

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<sup>1</sup> Please refer to Appendix A. Please also refer to paragraphs 8.2 and 8.5 under MAS 314 issued on 24 April 2015.

3.5 Common databases that were used for screening included World-Check, Factiva and official lists issued by various agencies (e.g. United Nations, HM Treasury lists, etc.). The screenings also included entities specified by the relevant laws and regulations in Singapore, such as lists provided by MAS and the relevant authorities in Singapore.

3.6 MAS noted that a few insurers used an exact match as opposed to a fuzzy match logic for screening purposes. This might result in potentially positive matches going undetected. For instance, the order of the full name of a customer in an insurer's administration system might differ from that in the screening application used. To minimise such risks, the insurer needs to understand how permutations of a customer's full name affect the screening process when a fuzzy or exact match logic is used. MAS also noted that the matching logic of different screening applications might differ. Insurers should therefore ensure that they understand how a new screening application differs from their existing application, before implementing the new application. All necessary user acceptance testing should also be thoroughly performed in order to validate its use.

#### Sound Practices

- (i) *Insurers should perform screening prior to the inception of any new policy or top-up of existing business. This allows insurers to obtain senior management approval before onboarding PEPs or customers with high ML/TF risks.*
- (ii) *Insurers should perform ongoing screening of their customer base regularly. As a good practice, some insurers screen their existing customer base on a daily basis to identify customers with high ML/TF risks and PEPs.*
- (iii) *Insurers should understand the matching logic of their screening applications. Insurers should adopt a fuzzy match logic, i.e. a logic that allows for different permutations of a customer's name to be screened, to ensure that any potential positive hits are not missed. Insurers with systems that are unable to perform automatic name permutations should ensure that their staff are properly trained and aware of the importance of varying the sequence and combination of the names to be screened.*

(ii) Processes and enhanced CDD measures for PEPs and customers with high ML/TF risks

3.7 Paragraphs 6.2(b) and 6.3<sup>2</sup> of MAS 314 require an insurer to seek senior management approval to establish or continue business relations where the customer or BO is a PEP, or for other categories of customers, business relations or transactions that the insurer assesses to present a higher risk for ML/TF. Approval by senior management is also needed if a customer subsequently becomes a PEP or presents a higher risk for ML/TF.

3.8 In some cases, the term 'senior management' was interpreted to include the management of the Head Offices/related entities of insurers that operate as a branch in Singapore. The term 'senior management' in paragraph 6.2(b) of MAS 314 refers to senior management of the Singapore branch, including the Chief Executive of the branch. As such, approval from the senior management of the Singapore branch needs to be obtained even if the insurer's internal processes are such that approval from its Head Office's/related entity's senior management is required.

3.9 MAS noted that a few insurers did not perform periodic reviews of PEPs and customers/BOs with high ML/TF risks. Periodic reviews enable insurers to ensure that customer identification information, including source of wealth information, is kept up to date. Such periodic reviews also allow senior management of an insurer to be regularly updated on its types and numbers of existing PEPs and customers with high ML/TF risks through the periodic approvals obtained in order to continue business relations with them.

3.10 Paragraphs 6.2(c) and 6.3<sup>3</sup> of MAS 314 require insurers to establish by appropriate and reasonable means, the source of wealth and source of funds of customers or BOs, who are PEPs or who are assessed to have high ML/TF risks.

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<sup>2</sup> Please refer to Appendix A. Please also refer to paragraphs 8.3(a) and 8.7 under MAS 314 issued on 24 April 2015.

<sup>3</sup> Please refer to Appendix A. Please also refer to paragraphs 8.3(b) and 8.7 under MAS 314 issued on 24 April 2015.

3.11 MAS noted that while insurers have established the 'source of funds' for their customers, a few insurers misinterpreted the term 'source of wealth' to be the 'source of funds'. The term 'source of funds' refers to the origin of the funds used to purchase an insurance policy (e.g. salary payments or sales proceeds).

3.12 The term 'source of wealth' in MAS 314 refers to the origin of the entire body of wealth<sup>4</sup> (i.e. total assets) of a customer or BO, and not only the means by which the customer derives the funds to be invested in the policy. Insurers are expected to understand the various sources of wealth of high-risk customers, including how they may have amassed their wealth, instead of focusing on the amounts to be invested into the policy. The source of the customer's wealth should be commensurate with (i) the insurer's overall understanding of the customer, (ii) the reason given by the customer for establishing the business relations and (iii) the nature and frequency of transactions to be undertaken by the customer during the policy's duration.

3.13 FATF's Guidance on PEPs (Recommendations 12 and 22) paper (June 2013<sup>5</sup>) states that while financial institutions may not have specific information about assets of their customers not deposited or processed by them, it may be possible to gather general information from commercial databases or other open sources. Insurers should strive to independently corroborate the source of wealth information provided by their customers. Examples of independent corroboration measures include citing public information sources (e.g. company websites, corporate registration websites, journals and media reports) and obtaining documentary evidence such as bank statements, confirmation from third party professionals (e.g. tax advisors), and financial statements or management accounts of companies. If inheritance and gifts are stated as the source of wealth, insurers should assess the legitimacy and reasonableness of the amounts relative to the identity and background of the customer.

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<sup>4</sup> This is consistent with FATF's requirement under paragraph 87 of the FATF Guidance on PEPs (Recommendations 12 and 22) [June 2013].

<sup>5</sup> Please refer to the paper at:  
<http://www.fatf-gafi.org/media/fatf/documents/recommendations/guidance-pep-rec12-22.pdf>.

**Sound Practices**

- (i) *Insurers should perform periodic reviews (e.g. on an annual basis) of existing PEPs and customers and business relations with high ML/TF risks and ensure that the CDD information is kept up to date. Senior management approval is required to continue business relations with this group of customers.*
- (ii) *Insurers should assess and document the source of wealth of customers and BOs who are PEPs and customers with high ML/TF risks. The term 'source of wealth' refers to the origin of the entire body of wealth of the customer or BO. Insurers should take appropriate measures to corroborate the source of wealth and assess whether documents provided by the customers are authentic and reliable.*

**B Risk Assessment Processes****(i) Risk assessment factors**

3.14 An insurer is required to take appropriate steps to identify, assess and understand the ML/TF risks in relation to its customers, business relations and transactions. The higher risk factors considered by insurers include PEPs and their close associates, residents of countries known to have weak AML/CFT controls, customers who purchase high value policies, policies involving complex structures and suspicious transactions within a policy.

3.15 Insurers should also give due consideration to the countries or jurisdictions that their customers/BOs are from (e.g. their nationalities in the case of natural persons). Insurers should assess whether customers/BOs who are nationals of countries that pose high ML/TF risks still have close ties with their countries, giving due consideration to their length of residency in their present country of residence. This approach helps ensure that insurers do not misclassify a customer/BO with potentially high ML/TF risk as low risk, and vice versa, solely based on a person's country of residence.



(ii) Use of thresholds

3.16 A number of insurers employed the use of premium thresholds to classify their customers for the purpose of ML/TF risks while others considered the cumulative amount of premiums paid to-date by a customer, when determining if further due diligence checks were required.

3.17 Some insurers adopted their global or regional entity's premium thresholds without assessing and documenting their applicability to the local context. Given that the business and risk profile of each entity within a group may differ, the global or regional premium thresholds may not be appropriate for the risks taken on by the entity in Singapore. In addition, some insurers did not document the basis and suitability of the thresholds used.

3.18 MAS noted that insurers have used a range of indicators for identifying customers/BOs with high tax risk. These indicators included complex structures, high value policies, policyholders who were citizens/residents/incorporated in high tax risk countries or from tax havens, policyholders with adverse tax-related news information, and the use of hold-mail services without satisfactory reasons. Insurers should be mindful that the use of a combination of a large number of risk factors that must be concurrently satisfied to detect customers with high tax risk may be overly restrictive. This increases the possibility of missing out on a customer who may potentially present high tax risk.

Sound Practices

- (i) *Insurers should give due consideration to the countries or jurisdictions that their customers/BOs come from.*
- (ii) *Insurers should adopt premium thresholds that are relevant to the business and risk profile of their business in Singapore. The basis and suitability of any thresholds used should be documented. Insurers should also establish and document a process to review the premium thresholds on a regular basis (e.g. at least once in two years or when a material trigger event occurs, whichever is earlier) to take into account any changes to the business and risk profile of the local entity.*
- (iii) *Insurers should give due consideration to the number of factors that must be met before a customer/BO is classified as presenting high tax risk. The combination of factors used should not be overly restrictive.*

## C Suspicious Transaction Reports (“STRs”)

3.19 Paragraph 57<sup>6</sup> of the Guidelines to MAS 314 states that insurers should ensure that their internal processes for evaluating whether a matter should be referred to the Suspicious Transactions Reporting Office (“STRO”) via a STR are completed without delay. The submission should not exceed 15 working days of the case being referred by the relevant insurer’s staff, unless the circumstances are exceptional or extraordinary.

3.20 If there are exceptional circumstances that result in the insurer being unable to meet the 15 working days timeline, the reasons for the delay should be documented and substantiated. Insurers should document these reasons for audit trail and to monitor and ensure that there is no breakdown in the internal escalation of suspicious transactions. STRs should be filed in a timely manner as delays may compromise the effectiveness of STRO’s investigation process.

### Sound Practices

*Insurers should have processes to ensure that STRs are filed within 15 working days of the case being flagged as suspicious. If insurers are unable to meet this timeline due to extraordinary circumstances, the reasons should be documented.*

## D Documentation

### (i) Updating the AML/CFT manuals

3.21 All insurers have AML/CFT manuals, but some manuals were not updated on a timely basis, leading to differences between what the manuals required and actual day-to-day practices. Insurers should periodically review their manuals and ensure that the information and required processes are relevant and updated. This helps to ensure that staff have well-documented manuals to guide them in carrying out the necessary procedures, especially for new staff.

<sup>6</sup> Please also refer to paragraph 12-1 under the Guidelines to MAS 314 issued on 24 April 2015.

(ii) Documentation of higher risk characteristics

3.22 MAS noted that insurers shared useful red flag indicators with staff to help them detect customers with high ML/TF risks, PEPs or suspicious/unusual transactions during AML/CFT training sessions. The staff of the Compliance Departments have generally demonstrated a good understanding of these red flag indicators.

3.23 Insurers should also ensure that these red flag indicators are documented in the relevant departments' standard operating procedure manuals so that they are part of the standard work processes. This enables staff from both their Front Line and Compliance Departments to identify customers with high ML/TF risks, PEPs and customers with suspicious/unusual transaction patterns.

Sound Practices

- (i) *Insurers should maintain up-to-date AML/CFT manuals to ensure effective implementation of AML/CFT measures and controls by staff.*
- (ii) *Insurers should sufficiently document in the relevant manuals, the red flag indicators for identifying customers with high ML/TF risks, PEPs and suspicious/unusual transactions.*

## **E AML/CFT Training and the Role of the Compliance Department**

3.24 Some insurers differentiated the AML/CFT training provided for different groups of staff based on their job scopes. For example, emphasis was given to CDD requirements during AML/CFT training for insurance agents, while staff who handled day-to-day servicing requests, such as new business and claims staff, were given more robust training on red flag indicators. Some insurers also required staff to attend additional AML/CFT training before allowing them to handle job functions that required greater care in detecting ML/TF risks (e.g. cashier-related functions, customer servicing functions).

3.25 As an important line of defence, the AML/CFT compliance function is responsible for ongoing monitoring of an insurer's fulfilment of its AML/CFT obligations. Some insurers require the Compliance Department to be involved in new products under development. Others require the Compliance Department to be consulted before they enter new markets. For example, the Compliance Department is consulted before an insurer establishes its presence in a new market or broadens its customer acceptance policy in Singapore to accept policy applications from foreign nationals which it previously disallowed.

Sound Practices

- (i) *Insurers should cater their AML/CFT training to suit the needs of staff in different functions, including agents.*
- (ii) *The Compliance Department should play an active role in ensuring that ML/TF risks arising from new markets, products and technologies are addressed.*

## **4 CONCLUSION**

4.1 For Singapore to remain as a trusted financial centre, insurers should play their part to ensure that their AML/CFT controls are effective and commensurate with the size, nature and complexity of their business.

4.2 Insurers are expected to have strong AML/CFT controls frameworks and ensure their effective implementation. Board and senior management should promote a strong risk and compliance culture within their organisations, and ensure that staff are risk-conscious and adequately trained on AML/CFT controls.

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**APPENDIX A: MAS 314 ISSUED ON 2 JULY 2007 (CANCELLED WITH EFFECT FROM 24 MAY 2015)**

MAS 314

2 July 2007

Last revised on 1 July 2014

(Refer to endnotes for history of amendments)

NOTICE TO LIFE INSURERS

MONETARY AUTHORITY OF SINGAPORE ACT, CAP. 186

**PREVENTION OF MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM – LIFE INSURERS**

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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 all life insurers registered under section 8 of the Insurance Act (Cap. 142).

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 life insurer, 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 issuance of a life policy by the life insurer to the customer;

“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 life insurer, means:

- (a) a person to whom a life policy is issued or intended to be issued by the life insurer including, in the case of a group life policy, the owner of the master policy issued or intended to be issued; or
- (b) a person for whom the life insurer undertakes or intends to undertake any transaction without a policy being issued;

“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;

“life insurer” means an insurer registered under section 8 of the Insurance Act (Cap. 142) to carry on life insurance business in Singapore;

“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 life insurer 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 life insurers in the conduct of their operations and business activities:
  - (a) A life insurer must exercise due diligence when dealing with customers, persons appointed to act on the customer’s behalf and beneficial owners.
  - (b) A life insurer 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 life insurer 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 Person

- 4.1 No life insurer shall deal with any person on an anonymous basis or any person using a fictitious name.

### When CDD Measures are to be Performed

- 4.2 A life insurer shall perform CDD measures in accordance with this Notice when —
- (a) the life insurer establishes business relations with any customer;
  - (b) the life insurer undertakes any transaction of a value exceeding S\$20,000 for any customer who has not otherwise established business relations with the life insurer;
  - (c) there is a suspicion of money laundering or terrorist financing, notwithstanding that the life insurer would otherwise not be required by this Notice to perform CDD measures; or
  - (d) the life insurer 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 life insurer shall identify each customer who applies to the life insurer to establish business relations.
- 4.4 For the purpose of paragraph 4.3, a life insurer 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 life insurer 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 life insurer shall, apart from identifying the customer, also identify the partners.
- 4.7 Where the customer is any other body corporate or unincorporate, the life insurer 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 life insurer shall verify the identity of the customer using reliable, independent sources.
- 4.9 A life insurer 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 life insurer or the customer is not a natural person, a life insurer shall —
- (a) identify the natural persons that act or are appointed to act on behalf of the customer, as if such persons were themselves customers;
  - (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 life insurer shall verify the due authority of such persons to act on behalf of the customer.
- 4.12 A life insurer 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 life insurer 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 life insurer 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 life insurer 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 life insurer shall take reasonable measures to understand the ownership and structure of the customer.

4.17 A life insurer 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 that are subject to and supervised for compliance with AML/CFT requirements consistent with standards set by the FATF,

unless the life insurer 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 life insurer shall document the basis for its determination that the requirements in those paragraphs have been duly met.

(V) Identification and Verification of Payee

4.19 Where the payee is not the customer, a life insurer shall identify the payee and verify his identity before making any of the following types of payment:

- (a) payment of the sum assured (or part thereof) upon the occurrence of the risk insured against in accordance with the life policy;
- (b) payment of the surrender value of a life policy;
- (c) refund of premium upon the avoidance, cancellation and/or termination of any life policy; or
- (d) refund of any other payment made in relation to any life policy.

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

4.20 A life insurer shall obtain, from the customer, when processing the application to establish business relations, information as to the purpose and intended nature of business relations.

(VII) Ongoing Monitoring

4.21 A life insurer shall monitor on an ongoing basis, its business relations with customers.

4.22 A life insurer shall, during the course of business relations, observe the conduct of the customer's life policy and scrutinise transactions undertaken to ensure that the transactions are consistent with the life insurer's knowledge of the customer, its business and risk profile and where appropriate, the source of funds.

4.23 A life insurer 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.

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

4.25 A life insurer 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**

- 4.26 A life insurer shall put in place policies and procedures to address any specific risks associated with non-face-to-face business relationships or transactions.
- 4.27 A life insurer shall implement the policies and procedures referred to in paragraph 4.26 when establishing customer relationships and when conducting ongoing due diligence.
- 4.28 Where there is no face-to-face contact, the life insurer 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**

- 4.29 When a life insurer (“acquiring life insurer”) acquires, either in whole or in part, the business of another financial institution (whether in Singapore or elsewhere), the acquiring life insurer shall perform CDD measures on the customers acquired with the business at the time of acquisition except where the acquiring life insurer 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 life insurer as to the adequacy of AML/CFT measures previously adopted in relation to the business or part thereof now acquired by the acquiring life insurer.

**CDD Measures for Non-Policy Holders**

- 4.30 A life insurer that undertakes any transaction of a value exceeding S\$20,000 for any customer who does not otherwise have business relations with the life insurer shall —
- (a) establish and verify the identity of the customer as if the customer had applied to the life insurer 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.

- 4.31 Where a life insurer 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 life insurer shall treat the transactions as a single transaction and aggregate their values for the purpose of this Notice.

### **Timing for Verification**

- 4.32 Subject to paragraph 4.33 of this Notice, a life insurer shall complete verification of the identity of the customer and beneficial owner —
- (a) before the life insurer establishes business relations; or
  - (b) before the life insurer undertakes any transaction for a customer, where the customer does not have business relations with the life insurer.
- 4.33 A life insurer 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 life insurer.
- 4.34 Where the life insurer establishes business relations before verification of the identity of the customer or beneficial owner, the life insurer shall complete such verification as soon as is reasonably practicable.

### **Where CDD Measures are not Completed**

- 4.35 Where the life insurer 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.

### **Existing Customers**

- 4.36 A life insurer 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 life insurer 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 life insurer 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 life insurer for itself or notified to life insurers generally by the Authority or by other foreign regulatory authorities; or  
[MAS Notice 314 (Amendment) 2009]
  - (b) where the life insurer suspects that money laundering or terrorist financing is involved.  
[MAS Notice 314 (Amendment) 2009]
- 5.3 A life insurer 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 life insurer 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 314 (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 life insurer 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 life insurer’s senior management to establish or continue business relations where the customer or 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 life insurer shall perform enhanced CDD measures in paragraph 6.2 for such other categories of customers, business relations or transactions as the life insurer may assess to present a higher risk for money laundering and terrorist financing.
- 6.4 A life insurer 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 life insurer for itself or notified to life insurers generally by the Authority or other foreign regulatory authorities.

## **7 PERFORMANCE OF CDD MEASURES BY INTERMEDIARIES**

- 7.1 Subject to paragraph 7.2 a life insurer may rely on an intermediary to perform the CDD measures in paragraph 4 of this Notice if the following requirements are met:
- (a) the life insurer 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 life insurers have been specifically precluded by the Authority from relying;
- (c) the intermediary is able and willing to provide, without delay, upon the life insurer's request, any document obtained by the intermediary which the life insurer would be required or would want to obtain.

[MAS Notice 314 (Amendment)2009]

7.2 No life insurer shall rely on an intermediary to conduct ongoing monitoring of customers.

7.3 Where a life insurer 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 314 (Amendment) 2009]

- (b) immediately obtain from the intermediary the information relating to CDD measures obtained by the intermediary.

[MAS Notice 314 (Amendment) 2009]

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

## **8 RECORD KEEPING**

8.1 A life insurer 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 life insurer 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 life insurer are able to review the life insurer's transactions and assess the level of compliance with this Notice; and
- (d) the life insurer 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.



- 8.2 Subject to paragraph 8.4 and any other requirements imposed by law, a life insurer 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 policy 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.
- 8.3 A life insurer 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.
- 8.4 A life insurer 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.

## 9 SUSPICIOUS TRANSACTIONS REPORTING

- 9.1 A life insurer shall keep in mind the provisions in the Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act<sup>1</sup> 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 and agents 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 314 (Amendment) 2013]
- 9.2 A life insurer shall submit reports on suspicious transactions (including attempted transactions) to STRO, and extend a copy to the Authority for information.

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

- 9.3 A life insurer 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 life insurer 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 life insurer, decides to withdraw a pending application to establish business relations or a pending transaction, or to terminate existing business relations.

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

- 10.1 A life insurer shall develop and implement internal policies, procedures and controls to help prevent money laundering and terrorist financing and communicate these to its employees and agents.
- 10.2 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.
- 10.3 A life insurer 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**

- 10.4 A life insurer 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.
- 10.5 Where a life insurer has a branch or subsidiary in a host country or jurisdiction known to have inadequate AML/CFT measures (as determined by the life insurer for itself or notified to life insurers generally by the Authority or by other foreign regulatory authorities), the life insurer shall ensure that its group policy on AML/CFT is strictly observed by the management of that branch or subsidiary.
- 10.6 Where the AML/CFT requirements in the host country or jurisdiction differ from those in Singapore, the life insurer 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.
- 10.7 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 life insurer's head office shall report this to the Authority and comply with such further directions as may be given by the Authority.

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## Compliance

- 10.8 A life insurer shall develop appropriate compliance management arrangements, including at least, the appointment of a management level officer as the AML/CFT compliance officer.
- 10.9 A life insurer 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

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

## Employee and Agent Hiring

- 10.11 A life insurer shall have in place screening procedures to ensure high standards when hiring employees and agents.

## Training

- 10.12 A life insurer shall take all appropriate steps to ensure that its employees, officers<sup>2</sup> and agents (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
  - (c) the life insurer's internal policies, procedures and controls on AML/CFT and the roles and responsibilities of employees, officers and agents in combating money laundering and terrorist financing.

[MAS Notice 314 (Amendment) 2013]

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<sup>2</sup> Officer" –

(a) in relation to a life insurer 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 life insurer 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 life insurer that is a body unincorporate (other than a partnership), means any member of the committee of management of the body unincorporate, where applicable.

## 11 PERSONAL DATA

11.1 For the purposes of paragraph 11 –

- (a) “personal data” has the same meaning as defined in section 2(1) of the Personal Data Protection Act (Cap. 26);
- (b) “individual” means a natural person, whether living or deceased; and
- (c) “connected parties”
  - (i) in relation to a company, means any director or any natural person having executive authority in the company;
  - (ii) in relation to 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), means any partner or manager; and
  - (iii) in relation to any other body corporate or unincorporate, means any natural person having executive authority in such body corporate or unincorporate, where applicable.

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

- (a) any access to personal data about the individual that is in the possession or under the control of the life insurer;
- (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 life insurer; and
- (c) any right to correct an error or omission of the personal data about the individual that is in the possession of or under the control of the life insurer.

11.3 A life insurer 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, an individual beneficial owner of the customer or an individual payee, 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 life insurer:
- 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 existing residential address and contact telephone number(s);
  - 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, any other personal data of the respective individual provided by that individual to the life insurer; and
- (b) subject to section 22(7) and 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 paragraphs (a)(i) to (vi), provided the life insurer is satisfied that there are reasonable grounds for such request.

11.4 For the purposes of complying with this Notice, a life insurer 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, an individual beneficial owner of the customer or an individual payee, without the respective individual's consent.

[MAS Notice 314 (Amendment) 2014]

#### Endnotes on History of Amendments

1. MAS Notice 314 (Amendment) 2009 dated 3 July 2009
2. MAS Notice 314 (Amendment) 2013 dated 23 January 2013
3. MAS Notice 314 (Amendment) 2014 dated 1 July 2014